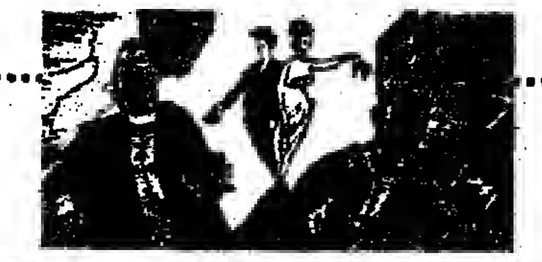
Weekend
FINANCIAL TIMES

Weekend FT

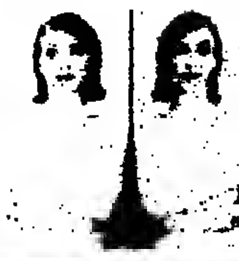
A church divorced from its people

SECTION II



Skiers who make a splash

Out of black and into white



World Business Newspaper | WEEKEND DECEMBER 2/DECEMBER 3 1995 | D8523A

Thousands gather to greet Clinton during Dublin visit

President Bill Clinton crowned a visit to Britain and Ireland with an address in Dublin to a crowd of tens of thousands. Irish officials said the US president's trip had provided a strong platform to consolidate the search for a political settlement for the North. But UK prime minister John Major warned that the euphoria surrounding Mr Clinton's visit would not reduce pressure on the Irish Republican Army to disarm. Page 4; Super solo, Page 7

Tokyo agrees bank help plan: Japan's government agreed to use Bank of Japan advances and government guarantees to help the country's banks dispose of sizeable bad loans. Page 22

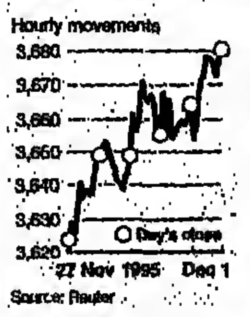
Lloyd's of London chiefs are discussing a deal with some of the most militant Names in the US which could end much of the litigation damaging the insurance market's US reputation. Page 4

Eurotunnel's Le Shuttle service been bolstered by French strikes, winning freight traffic forced on to the road by rail stoppages and passengers from the ferries hit by action at ports. Page 2; Strike latest, Page 22

BHP bids $1.8bn for Magma: Broken Hill Proprietary, the Australian resources company, announced plans to expand its copper interests through a US$1.8bn offer for US-based Magma Copper Company, Page 6

London stocks recover after Budget

FT-SE 100 index



Source: Reuter

London stocks shrugged off earlier disappointment over this week's Budget and weakness on Wall Street to cap a week of records. The global trend toward lower interest rates and takeover speculation to push the *FT-SE 100 index up 16.1* to a record closing high of 3,680.4. The index recorded a rise of 56 points over the week. London stocks, Page 19; World stocks, Page 17

Richemont, *the Switzerland-based owner of the* Rothmans tobacco and Vendôme luxury goods businesses, reported a 5.4 per cent rise in interim profits to £375.2m ($573.9m) but warned profits growth would probably slow in the second half. Page 6

Transatlantic trade pact: The US and European Union will sign an agreement in Madrid to strengthen transatlantic trade and political co-operation in the post-Cold War era. Page 2

UK objects to China 'dictator' gibe: Britain complained formally to China about the behaviour of an official who described Hong Kong governor Chris Patten as a dictator and criticised increased spending on social welfare. Page 2

General Motors is to pay a $11m fine and recall 470,000 Cadillacs that the US government says were equipped with illegal devices to defeat pollution controls. Page 3

Britons jailed over cult plot: British women Sally Anne Croft and Susan Hagan, former members of a cult founded by Indian guru Bhagwan Shree Rajneesh, were jailed for five years each after being found guilty in Portland, Oregon, of conspiring to kill a US federal prosecutor in 1985.

Argentine bomb arrests: Argentine authorities arrested about a dozen people, including several soldiers, in connection with the 1994 car-bomb attack on a Jewish cultural centre that killed 86 people.

Egyptian elections: President Hosni Mubarak's ruling National Democratic party has won 90 per cent of the 168 *seats declared in Egypt's parliamentary* elections as violence interrupted counting.

Kenya moves to protect tourists: Kenya introduced a tourism protection unit to end attacks on tourists and win back confidence in the country's top foreign exchange earning industry.

England's cricket collapse: England slumped to 200 all out, well short of South Africa's first innings total of 332, on the second day of the second Test in Johannesburg. South Africa were five without loss in their second innings.

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Leeson faces sentence after guilty pleas to cheating

By Kieran Cooke in Singapore

Mr Nick Leeson, the British futures trader blamed for the $1.4bn losses that brought down *Barings Bank, was due to be sentenced* early today by a Singapore court. He was facing a maximum of eight years in Changi prison *after* pleading guilty to two charges of cheating.

After his flight in February, nine-month imprisonment in Germany and extradition to Singapore just over a week ago, his two court appearances yesterday were low-key. After the prosecution applied to *have nine of 11* charges "stood down" – meaning they would not be proceeded with but taken into consideration *when he was sentenced – Mr Lee*son pleaded guilty to the other two.

Two pictures were given to the court of Mr Leeson – one of a manipulator who devised ingenious schemes to cover up his mounting losses, the other of a young and relatively inexperienced trader caught up in a ruthless game, who panicked when be realised the position he was in.

Mr Lawrence Ang, chief prosecuting counsel, said Mr Leeson had begun unauthorised, speculative trading using a secret account soon *after his* arrival in Singapore in 1992. "These unauthorised trades began on a modest scale. The volume soon grew."

Harried by Coopers & Lybrand, Barings' auditors, Mr Leeson cut, pasted and photocopied documents to show a fictitious payment of Y7.778bn ($76m) by Spear Leeds and Kellogg of New York into Barings Futures Singapore, Mr Ang said. Mr Leeson manipulated *Barings' own settlement* system and devised "a simple, yet highly effective scheme" to misrepresent his trades in the Barings system and through that to deceive Simex, the Singapore International Monetary Exchange.

Mr John Koh, Leeson's chief defence counsel, said his client had been reckless but was not a crook. "If be was, he could have enriched himself. He did not steal money." Mr Koh emphasised the Singapore inspectors' report which laid much of the blame on *Barings' "institutional incompe*tence." Mr Koh said Mr James Bax and Mr Simon Jones, both Barings Futures Singapore directors, knew about the accounts discrepancy detailed in the first charge, as did many senior executives in London.

"The main concern of management was to achieve a clean bill of health in the audit and at one point our client was encouraged to mislead the auditors in certain respects . . . the bosses knew something was amiss but took no action," Mr Koh said. Both Mr Bax *and* Mr Jones are *still in* Singapore and have surrendered their passports to the authorities. It is unclear whether Singapore's Commercial Affairs Department intends to bring charges against them or other Barings executives.

Mr Leeson has offered to pay prosecution costs of S$150,000 ($107,000). Money for that is being borrowed against property the Leesons own in London.

Defence urges leniency, Page 3

Spanish foreign minister named as new Nato chief

By Bruce Clark in Washington

Nato's 16 members yesterday named Mr Javier Solana, the Spanish foreign minister, as the next secretary-general of the alliance.

The selection of Mr Solana, 53, will end nearly six weeks of ill-tempered exchanges within the alliance over who should hold its top political job at a time when Nato is moving into Bosnia to carry out its biggest ever military mission.

The alliance yesterday authorised the immediate despatch of 2,600 troops to Bosnia to pave the *way for the 60,000-strong peace* implementation force.

Mr Solana said last night he would remain foreign minister until the *EU* summit in *Madrid* on December 15 and 16. But he would be "on duty" in the Nato job from next Tuesday, when his appointment is due to be confirmed officially by the North Atlantic Council.

A leading member of Spain's socialist government since 1982 and a one-time opponent of Spain joining Nato, Mr Solana secured the *post after gaining the* confidence of both France and the US, two Nato members which had quarrelled openly over the appointment. In Washington, State Department officials praised Mr Solana, who has studied in the US and knows the country well, as a skilful diplomat with a *good grasp* of the complex issue of peace-making in Bosnia.

Earlier, the US had rejected Mr Ruud Lubbers, the former Dutch prime minister favoured by France, on grounds that he was poorly briefed on Bosnia, while Paris objected to the US-backed

Solana impresses ....Page 2

candidate, Mr Uffe Ellemann-Jensen of Denmark, because his French was not good enough. Mr Solana's name was floated immediately after Mr Willy Claes, the former Belgian foreign minister, resigned as Nato secretary-general on October 20 because of a corruption scandal in his native Belgium. But it is only in the last 10 days that he has moved to the head of the shortlist.

Mr Herve de Charette, the *French foreign minister,* warmly praised the consensus-building skills Mr Solana showed in salvaging a complex accord between 27 European and Mediterranean nations at a meeting in Barcelona this week.

The status of Spain – within the Nato alliance but outside its integrated *military* structure – had raised queries among alliance diplomats over whether the holder of the top alliance post should come from Madrid.

But the US view of Spain's military credentials within Nato was enhanced after Spain made air bases available for long-range bombing raids on Iraq during the Gulf war. Britain, which has always *been wary of any move to* dilute the Nato military structure, made clear yesterday that it warmly endorsed the Spanish appointment.

In the US, most Republicans have promised to refrain from voicing doubts about US involvement in the Bosnia peace implementation force as soon as the first US troops are on the ground.

Senator Jesse Helms, chairman of the Senate foreign relations committee, said he was introducing legislation to provide arms and *training* for the Bosnian army.

Cuban president Fidel Castro tours the Great Wall on a 10-day visit *to China during which he is studying Beijing's radical market* reforms. Beijing leaders seek comfort in religion, Page 3 Picture: Reuter

Madrid's cafés cry foul over football

By David White in Madrid

One of Spain's most entrenched institutions, the Saturday night football match on television, is under siege from a broad alliance of restaurant and bar owners, shopkeepers, theatre and cinema operators.

They are worried about the damaging effect of televised football on a great Spanish tradition – the Saturday night out – and *want the matches switched to* Sunday afternoon, when they used to be played, or to a different time.

Opposing the various entrepreneurs – who met in Madrid yesterday to discuss their grievances – is a united front of television channels and the Professional Football League, which said a change was "unviable".

"Saturday is the big night in Spain," said Mr Pedro Galindo, president of the Spanish Federation of Restaurants, Cafés and Bars.

If there is no televised football, Saturdays can account for more than 25 per cent of restaurants' weekly takings. But when football is on TV, the restaurants' Saturday takings are hit by at least 30 per cent, and up to 80 per cent when Real Madrid play Barcelona. Spaniards usually go out to dinner around 9.30pm,

Continued on Page 22

New cancer drug payments in UK to be based on results

By Daniel Green in London

If our new cancer drug does not work, *you do not* pay for it. That is the message UK doctors will soon be hearing from sales representatives for Rhône-Poulenc Rorer, the French-controlled US drugs company.

RPR this week won Europe-wide approval for its new cancer drug, *Taxotere. The price is* likely to be more than £1,000 ($1,580) per course of treatment, with at least two courses needed before the drug starts to work. Clinical trials show it will only be effective for about half the patients who receive it.

The company fears the high price will put off cost-conscious National Health Service trust hospitals, not least because of the severe side-effects suffered by some patients.

"In other industries, if a product does not do what the maker says it does, you get taken to court," said Mr Tom Foy, RPR's oncology business unit director. "*That doesn't happen in health*care, so we are prepared to carry the financial burden of the drug in patients on whom the drug doesn't work."

RPR believes such tactics – extremely unusual in the drugs industry – are increasingly necessary in the NHS. Cancer drugs compete for funds from pharmacy budgets against treatments ranging from high blood-pressure tablets to acne creams.

Simple price-cutting could give the impression that Taxotere had been cheap to research and produce, but there is also a competitive reason for the company's price offer. Taxotere is in a head-to-head fight in the breast cancer market with a similar drug, Taxol, made by Bristol-Myers Squibb, the US company.

*Both are derived from chemi*cals found in the Pacific yew tree and are powerful killers of cancer cells. *Clinical* trials suggest Taxo*tere may* be *more effective* at killing cancer cells, but side-effects, such as nerve damage, can be worse.

Mr Foy argued that RPR's pricing structure will encourage the company to run trials to find what kinds of patient do not respond to the drug.

A healthy assets mix, Page 9
Lex, Page 22

STOCK MARKET INDICES

FT-SE 100:	3,680.4	(+16.1)
- Yield	3.90	
FT-SE Eurotrack 100	1,457.96	(+3.94)
FT-SE-A All-Share	1,794.95	(+0.4%)
Nikkei	18,883.10	(+88.68)
New York lunchtime		
Dow Jones Ind Ave	5,102.31	(+27.82)
S & P Composite	607.87	(+2.30)

LONDON MONEY

3-mo Interbank	6$\frac{5}{16}$%	(Same)
Liffe long gilt fut:	Mar 109$\frac{25}{32}$	(Mar109$\frac{15}{32}$)

US LUNCHTIME RATES

Federal Funds:	5$\frac{11}{16}$%
3-m Treas Bills: Yld	5.44%
Long Bond	110$\frac{13}{32}$
Yield	6.096%

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.14	(16.935)

GOLD

New York Comex (Feb)	$387.4	(388.6)
London	$386.55	(387.7)

STERLING

New York lunchtime:		
$	1.532	
London:		
$	1.5308	(1.5295)
DM	2.212	(2.2105)
FFr	7.6461	(7.6162)
SFr	1.7983	(1.7952)
Y	155.111	(155.28)
£ Index	82.6	(82.5)

DOLLAR

New York lunchtime:		
DM	1.4435	
FFr	4.988	
SFr	1.1735	
Y	101.15	
London:		
DM	1.4451	(1.4453)
FFr	4.995	(4.9795)
SFr	1.1749	(1.1737)
Y	101.39	(101.55)
$ Index	94.0	(93.9)
Tokyo close Y 102.1		

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Solana impresses all the right people

By David White in Madrid

In the space of just thres weeks, Mr Javier Solana has moved from heing a non-starter in the Nato stakes to appointment as secretary-general.

His credentials lis in having managed to impress both the Americans and the French, who have been at loggerheads over who should take over the top Nato job.

The affable 53-year-old Spanish forelgn minister has in recent months estahlished a good relationship with Mr Warren Christopher, US secretary of state, who will be in Madrid this weekend with President Bill Clinton for a European Union-US summit. "They lika each other a lot," said a US official.

The Americans have come to respect Mr Solana as intelligent, well-briefed on sensitive subjects such as Bosnia, and a good consensus-builder. The option of Mr Solana for the Nato post became serious when the US State Department mads clear it wanted to see him considered.

Solana: non-starter to Nato secretary-general in three weeks Reuter

The French accolade came earlier this week at the Euro-Mediterranean conference in Barcelona, where Mr Solana hosted 26 other foreign ministers and persuaded Israelis, Syrians and Lebanese to agree a last-minute joint declaration. His performance was "a personal success", said Mr Hervé de Charette, French foreign minister.

Ths role of pragmatic concilliator has stuck to Mr Solana throughout his ministerial career, the longest of any in Mr Felipe González's Socialist government. A contemporary of Mr González, although from a very different bourgeois Madrid background, he is the only man to have stayed in the cabinet since ths Socialists came to power in 1982.

Ironically, at that time, a few months after Spain joined Nato, he was opposed to membership. "We are radically against Spain's entry into Nato," he was quoted as saying as an opposition MP. But hy the time a referendum was held four years later to keep Spain in the alliance, he was arguing that not joining was a different matter from leaving.

Mr Solana, a Socialist from the early 1960s and a former professor in solid state physics, has been an MP for Madrid since the first post-Franco elections. He was culture minister, government spokesman and then edncation and science minister before going to foreign affairs in 1992.

His resilience in government made him an ohvious heir apparent to Mr González, who had been thinking of putting up Mr Solana instead of himself as the party's candidate for prime minister in elections scheduled for March.

The move to Brussels takes away that option – which could well have meant Mr Solana sacrificing himself in the defeat which the government is expected to suffer.

When his name was floated earlier this month, it came as a surprise both to ministers in Madrid and to Nato allies, especially considering Spain's special status in the alliance. It stands formally outside Nato's integrated military command structure, like France, but on the other hand is regarded as being, de facto, a full participant.

Mr Solana immediately faces a very challenging job, with an international force nf 60,000 troops due to be sent to implement the Bosnia peace agreement. He will also have to deal with aspiring new members of Nato and Russia's opposition to enlargement.

Wrangles over the rebuilding of Bosnia

By Lionel Barber in Brussels

The EU is heading for a tussle with the US over hurden-sharing to cover reconstruction of Bosnia, st the same time as it struggles to contain internal divisions over policy toward former Yugoslavia.

Brussels has suggested dividing the estimated $6bn (£3.9bn) aid package for Bosnia on the lines of one-third paid by the EU, one-third hy the US and one-third by Japan and the rest of the world.

But the US has counter-proposed a limit of $600m for its share, particularly since it is contributing at least one-third of the proposed 60,000 Nato-led peace-keeping force. Washington has suggested that individual EU member states top up the outlined $2bn with at least an extra $500m.

Burden-sharing arguments will surface at an international donors' cooference in Brussels on December 18-19, co-sponsored by the World Bank and the European Commission.

However, a French diplomat said the US and Japan had indicated they would not be ready to pledge funds until next month. He criticised Brussels' recent promise to come up with $1bn as premature, and said the Brussels meeting was a diplomatic sop to the Commission to offset the Bosnia "peace implementation" conference in London on December 8-9, and the "peace cooference" in Paris on December 14.

A Commission official denied this. He said the Brussels meeting would deal with Bosnia's requirements for the first quarter of 1996, followed by a second conference in February to deal with future needs, as well as another meeting on Croatia.

Behind these arguments lies a wider struggle over who and which institutions should take the lead role in former Yugoslavia, alongside the Nato peace-keeping force.

The EU has proposed Mr Carl Bildt, former Swedish prime minister and special EU envoy, should assume the role of civilian co-ordinator. But the US is making an implicit linkage between his duties and the money which the EU puts on the table for reconstruction. In the background, Mr Hans van den Broek, EU political affairs commissioner, is wary about ceding authority to Mr Bildt.

On the former Yugoslav states Mr Bildt favours drawing up "Balkan agreements" covering the entire Balkan area south of Slovenia and north of Greece, but including Albania. Mr van den Broek favours a more traditional hilateral approach of "partnership and co-operation" pacts and "association" agreements with the EU.

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French strike fails to derail fortunes of Eurotunnel

By Geoff Dyer in London and Andrew Jack in Paris

There may be a three-hour wait for a taxi in Paris, the Metro may be at a standstill and the traffic jams may be 10 miles long. But there has been one beneficiary from a week of strikes in France – Eurotunnel, the Channel tunnel operator.

"November has been a record month for us, often well above the August peak period," the company said yesterday. It has won freight traffic that has been forced on to the road by rail strikes and picked up passengers from the ferries on the three days ports have been affected.

Eight days ago, the day of a country-wide general strike, Eurotunnel's Le Shuttle carried 6,900 cars, well above its previous highest figure. And on Wednesday of this week, 3,280 trucks used its service compared with a usual 2,000.

Eurostar, the rail operator which uses the tunnel, has been hit hy the French strikes but said it had been operating about half its scheduled services between London and Paris. Ferry companies are putting on a hrave face, claiming bookings are unaffected. But with the busy Christmas shopping period starting, they are getting worried.

Business travel has not slowed, industry sources say, but the leisure market has been hit badly.

Railway workers in Marseille lay rails across streets to protest at welfare and pension reform Reuter

Cresta Holidays, a large tour operator to France, said it was advising customers not to book trips to Paris before Christmas.

In Paris, entrepreneurs have wasted little time in taking advantage of the strikes. SNCF, the national rail operator, said private coach companies had been illegally soliciting passengers in stations.

Many shops have temporarily shut down or are working shorter hours because their sales staff have experienced difficulties in getting to work.

Matif, the futures exchange, said: "Some people are sharing cars but hicycles are becoming very popular. Our car park is full of them." One French bank was even reported to have hired a fleet of motorbikes to help its staff weave through central Paris traffic.

France and Germany gear up for next IGC

David Buchan analyses preparations by the two countries for revision of the EU's constitution

France and Germany are gearing up for another joint initiative on the future shape of "institutional" Europe.

The two countries may have a less decisive hand in revising the European Union's constitution next year than they had in steering the Maastricht treaty negotiations four years ago. But the statement which President Jacques Chirac and Chancellor Helmut Kohl plan to make at their December 7 summit in Baden-Baden will inevitably help set much of the agenda for next year's intergovernmental conference (IGC).

The Chirac-Kohl initiative "will be an open initiative, imposed on no one, and is certainly not intended to close the discussion before it starts," stressed Mr Michel Barnier, France's European affairs minister, this week. But it will set out "the broad principles" which the French and German leaders feel should guide the IGC and "the real subjects" which they believe the negotiators of the 15 should tackle.

The coming IGC is "the key which opens the door" to future EU members from the east, says Mr Barnier. The negotiation should therefore be relatively brief, no more than 12-15 months, and aimed at adapting EU institutions to a bigger membership as well as to giving the EU a more "visible" foreign policy. This much is fairly commonplace.

More surprising is the degree to which France's Gaullist president is now ready to join Germany in greasing the EU's decision-making machinery hy moving to majority voting.

This formula of linking majority voting to a reweighting of votes has been agreed with Bonn. Paris even seems ready to follow this logic through to conceding more Council votes to Germany than France or any other country. "We really don't care about parity with Germany," says a French official, in a marked departure from the situation just after German unification when for a time France resisted enlarged Germany getting more seats than it in the European Parliament.

"President Chirac favours the generalisation of qualified [weighted] majority voting" in EU business, Mr Barnier affirms. Does this mean extending majority voting to issues of R & D funding, some environmental policies and all tax decisions, which are still determined by unanimity? Mr Barnier will not reveal France's hand, except to reaffirm "we are very open to majority voting in virtually all areas" of regular EU business. "I do not see how we can enlarge the EU without changing the way we vote."

This stance, Mr Barnier admits, constitutes "a clear difference with the UK government" which, while happy to take any extra Council votes going, is dead-set against extension of majority voting. Nonetheless, Mr Barnier was in London this week to continue the uphill struggle to get some synthesis of French and British views on the IGC.

For all the well-publicised discord between Paris and London over the institutional shape of future European defence and security efforts, Mr Barnier says external policy actually offers more fertile ground for Franco-British rapprochement than internal EU institutions. He believes Britain, the only other EU member with a tradition of projecting its power, can be brought to see the sense in French proposals in more "organised" joint action abroad.

Mr Barnier says France wants set out, more clearly than in the Maastricht treaty, that if "several members of the Union" want to take a foreign or military initiative, the remainder will not only not block them, but allow the initiative to be discussed within "the Union" and eventually wear a "Union" label. "President Chirac is very keen to have this flexibility," says Mr Barnier.

The example Mr Barnier has in mind is last May's dispatch of a Rapid Reaction Force to Bosnia. "This was a bilateral Franco-British initiative, also with the Dutch. But it would have been better organised within the Union to prevent smaller states feeling condescended to or getting the feeling that [Europe's] foreign policy is being conducted at two or three different levels," he claims. Britain, of course, objects that if this sort of joint military action should come under any "Union" it should be the Western European Union (WEU), which London wants to keep distinct from the EU.

But Mr Barnier stresses Paris only foresees the WEU being merged intn the EU "in the medium term" – perhaps when the existing WEU treaty expires in 1998 – and believes that the UK will see the sense of this in the context of a wider redivision of labour within the Atlantic alliance.

France has also proposed the appointment of a high-profile figure – outside the Commission – to take charge of EU foreign policy co-ordination and analysis. "The Commission does not really have the vocation to occupy itself with foreign policy," says Mr Barnier. "The UK should study [the French proposal] with a lot of attention because it, like ourselves, like Germany, wants a more homogeneous foreign policy."

'No danger' in hormones

The controlled use of five hormones, currently banned in the EU, to promote growth in livestock poses no risk to human health, more than 80 leading scientists have concluded, writes Caroline Southey in Brussels.

Their decision, after a three-day conference in Brussels convened by the EU Commission, could add to the pressure on the EU from the US to ease the blanket ban on growth promoters in livestock production and the import of hormone-treated meat. It could also undermine the EU's efforts to defend the ban against an expected US challenge through the World Trade Organisation.

However, Mr Franz Fischler, the EU Commissioner for agriculture, aware of the intense pressure from consnmer groups for the ban to be maintained, was cautious yesterday about the policy implications of the findings.

The scientists concluded that on the basis of experience and published data there was "no evidence of human health risk arising" from the controlled use of the five hormones – oestradiol beta 17, progesterone, testosterone, zeranol and trenbolone. The hormones are not banned in the US, and US producers have been unable to export hormone-treated meat.

Mr Fischler said that he would wait for the detailed conclusions of the conference before making recommendations.

A lifting of the ban might increase EU beef production by 10-15 per cent, but if easing the ban led to a 20 per cent drop in consumption because of consumer fears, the "net loss would be significantly more than the net gain", he said.

US-EU accord aims to cement transatlantic ties

By Lionel Barber in Brussels

The US and European Union will sign an ambitious agreement tomorrow in Madrid to strengthen transatlantic trade and political co-operation in the post-cold war era.

The agreement commits the two allies to 150 joint actions on issnes snch as economic reconstruction in former Yugoslavia, lifting barriers against Palestinian exports from the West Bank and Gaza, as well as tackling organised crime and an early warning system for tracking killer viruses.

On the trade front, the Americans and Europeans have agreed to negotiate the phasing ont of tariffs and trade barriers on all information technology prodncts, inclnding compnters, semiconductors and software; and to accelerate work on unfinished business in the Uruguay Round, notahly liberalisation in telecoms and maritime services.

However, the document skirts long-standing issnes snch as steel, monetary co-operation and the valne of the dollar, and it avoids pressing issues snch as burden-sharing in aid to Bosnia.

Eqnally, the anthors avoid tackling strategic qnestions snch as the sequencing of enlargement of the EU and the Nato alliance to central and eastern Europe, and the degree to which the effectiveness of transatlantic co-operation may depend on further institutional reform at next year's EU inter-governmental conference.

Yet promoters of the initiative, notably the Spanish presidency of the EU, the US administration and hnsiness lohhying gronps snch as the transatlantic policy network, insist that the programme is a useful road-map for tightening co-operation next century. Its supporters often cite the need to contain neo-isolationist, populist trends in the US Congress.

The most recent effort to reinvigorate US-EU relations was the 1990 transatlantic declaration which established biennial summits attended by the US president, the rotating EU presidency, and the president of the Commission.

Less satisfactory, says Mr Stnart Eizenstat, the US ambassador to the EU, are the regular high-level foreign affairs gatherings which inclnde the US secretary of state, all 15 member states, and as many as 60 people in the room.

The new mood is to move from "consultation" to "joint action", forcing both sides to engage in common projects with follow-up, says ambassador Eizenstat. There are four broad areas:

■ Promoting peace and development. This inclndes economic reconstruction in fnrmer Yngnslavia, mnre assistance to central and eastern Europe, and consolidating democracy and econnmic reform in Russia and Ukraine. A new high-level group will talk to one another via computer to co-ordinate humanitarian aid in disaster areas snch as Armenia or Rwanda.

■ Responding to global challenges. The US is keen to exchange information on drug trafficking and terrnrism through the FBI. Bnt the EU, as so often, has difficulty in delivering via a single institutional voice.

Britain is blocking ratification of the Eurnpol police agency, while France is hypersensitive about exchanging data – even with fellnw EU member states.

■ Expanding world trade. The twn sides have agreed to a jnint study on redncing nr eliminating tariffs, bnt it finesses the issue of a transatlantic free trade area. Sir Leon Brittan, EU trade negotiator, says Tafta is still alive; bnt it looks a distant prospect.

The focus is more nn a "hnilding-block" apprnach, working on mntual recognition of each side's standards, certification and testing procedures.

The US is particnlarly pleased to have secured a promise to curb "illicit payments" such as kickbacks in big international contracts, says Mr Eizenstat.

■ Both sides say they want to increase commnnicatinn across the Atlantic throngh the nascent transatlantic business dialogue, edncatinnal exchanges, and the high-level groups of US, EU and Commission civil servants whn are committed to making the joint action programme a reality.

The agenda is broad, and not for the faint-hearted, says Mr Jacques Santer, president of the Commission who will be in Madrid today and tomorrow.

However, in other areas, it will be business as usual.

During his Madrid visit, President Clinton is expected to raise proposals to sell a batch of Sikorsky Black Hawk helicopters to the Spanish army. However, France is counter-bidding with Eurocopter Super Puma units. As host, the Spanish prime minister, Mr Felipe González, must decide whether to tilt toward Paris or Washington.

INTERNATIONAL NEWS DIGEST

UK protests at Hong Kong 'dictator' gibe

The UK yesterday complained formally to China about the behaviour of an official who described Mr Chris Patten, governor of Hong Kong, as a great dictator and criticised the territory's increased spending on social welfare.

The British foreign office summoned China's charge d'affaires in London, Mr Wang Qiliang, to tell him such abusive remarks about the governor were "unacceptable". Britain was also concerned the comments on spending "could be construed as interference with the promised level of autonomy for Hong Kong". Hong Kong has a long-standing policy of not allowing public spending to grow faster than its economy.

The remarks were made by Mr Chen Zuo'er, a relatively junior Chinese official being briefed in Beijing this week on the preparation of next year's Hong Kong budget. The aim was to give China some idea of how the budget process works.

Though more senior officials have been ruder about Mr Patten in the past, Britain complained in order to discourage China from exacerbating tension in the sensitive period before the handover of Hong Kong. China last night appeared to have noted the message. Its embassy said China was clear about Mr Patten's position as plenipotentiary representative of the Queen in Hong Kong. *Peter Montagnon, London*

Stet buys Russian stake

The Italian investment group Stet has taken a 25 per cent share in the Russian telecommunications group Svyazinvest, agreeing to pay $640m and to invest a further $770m in modernisation of the network. Mr Anatoly Chubais, first deputy Russian prime minister, said yesterday the deal was the largest investment made by a foreign company in the privatisation process. He said it was a sign of foreign confidence in the Russian economy and in the irreversibility of reforms.

Svyazinvest, created this year, is designed to provide competition in both domestic and international lines to the state-owned telecommunications network Rostelecom. It was formed from an amalgamation of the state's 51 per cent share in 86 regional and trunk operators. *John Lloyd, Moscow*

Kwangju massacre probe starts

South Korean prosecutors today will summon former President Chun Doo-hwan as part of an investigation into a 1980 military coup led by him and the subsequent massacre of at least 200 pro-democracy protesters in the city of Kwangju.

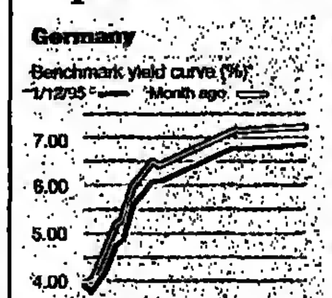
Mr Chun may be arrested after questioning and join Mr Roh Tae-woo, his successor, in prison.

President Kim Young-sam last week suddenly ordered the investigation of the coup and massacre in an apparent attempt to regain popular support and distance himself from the slush fund scandal involving Mr Roh, his former political ally. Mr Roh, arrested two weeks ago on hribery charges, is also being investigated for his role in the 1980 military takeover.

Prosecutors said in July they could not indict those involved in the Kwangju massacre because they had "no authority to punish the leaders of a successful coup".

Prosecutors now say the situation has changed with the arrest of Mr Roh on bribery charges. *John Burton, Seoul*

Japanese consumer prices fall



Consumer prices in Tokyo, an advance indicator for Japanese inflation, fell by 1 per cent in the year to November, the higgest drop in 40 years, according to official data published yesterday.

The decline was entirely due to a one-off 27 per cent fall in fresh vegetable prices after an unusually sharp rise in November last year, said the government's management and co-ordination agency. But even after adjusting for this, the underlying trend is for prices to be stable or falling slightly, a continued constraint on economic growth.

If fresh food is excluded, Tokyo consumer prices fell by 0.1 per cent, in line with the previous trend. Official figures, however, inclnde rising prices in snch regulated sectors as transport and utilities and exclude discount retailing.

Falling import prices, a consequence of the high yen, have been one factor in deflation. Evidence that the bank of Japan is continuing to buy dollars to weaken the yen emerged yesterday in the form of a $376m rise in Japan's foreign exchange reserves in November to a new world record of $181.25bn. It was the 10th month in a row in which foreign reserves have set a new high. *William Dawkins, Tokyo*

Frankfurt insider trader fined

Germany's new insider trading law produced a second conviction yesterday when a Frankfurt broker, Mr Heinz Schwake, was fined DM150,000 ($108,000) for profiting from privileged trading information. A Frankfurt court also reprimanded him and imposed a suspended fine of DM540,000, payable if he commits a further offence over the next year.

Mr Schwake, responsible for trading in shares of Siemens (electronics) and SAP (software), had been suspended pending the prosecutor's investigation. At his request, he has now been dropped as one of the official Frankfurt brokers who match deals between buyers and sellers. *Andrew Fisher, Frankfurt*

Daewoo chief may sell out

Mr Kim Woo-choong, ths Daewoo founder and chairman, has offered to dispose of his personal shareholding in South Korea's fourth largest conglomerate, or chaebol, while retaining his position as top executive. The offer by Mr Kim appears to be aimed at persuading the government not to arrest him on charges that he bribed former President Roh Tae-won for state construction contracts.

Mr Kim, who would become the first chaebol leader to relinquish complete ownership of his group, is also expected to announce an extensive reshuffle of group executives next week, largely hy promoting younger managers.

Mr Kim was forced to donate most of his personal holdings in the group to the various Daewoo charity foundations in 1989 in return for securing emergency state loans to rescue Daewoo from the threatened collapse of its shipbuilding operations.

Officials have expressed scepticism about the use of charitable foundations by Mr Kim and other chaebol leaders to reduce their shareholdings. The nominally independent foundations are seen as an indirect means for the owners to retain control. *John Burton, Seoul*

Spanish Socialist jailed

Spain's series of corruption affairs grew longer yesterday when a former Socialist regional president and a former public works director in Navarre, were jailed on suspicion of bribery. A one-time priest, Mr Gabriel Urralburu, 45, headed the Navarre government from 1984 to 1991. The detentions early yesterday were based on evidence from a case involving ths ex-head of Spain's paramilitary Civil Guard police force, Mr Luis Roldán, who was arrested in Bangkok in February and faces corruption charges. Mr Urralburu resigned as local Socialist leader last year after being linked to Mr Roldán. The investigating magistrate said alleged illegal commissions might involve "practically all" large public works projects in Navarre, where the other accused, Mr Antonio Aragón was director, between 1988 and 1992. *David White, Madrid*

'What he did was a cover-up of losses, not a cover-up of crimes . . . our client is not a crook'

Defence urges leniency for 'misguided' Leeson

By Kieran Cooke in Singapore

It took investigators many months to understand how a series of disastrous deals by an errant trader in Singapore could have caused the collapse of Barings. In Singapore yesterday it took less than five hours for both prosecution and defence to present the case for and against Nick Leeson, the man at the centre of events.

Mr Lawrence Ang, the chief prosecuting counsel, told the court he would only proceed on two of the 11 charges against Leeson.

One charge, that of deceiving Coopers & Lybrand, the auditors of Barings Futures Singapore (BFS), was amended to the lesser offence of cheating and did not, as originally presented, include the more serious fraud charge.

The other charge, of cheating Singapore International Monetary Exchange (Simex) by falsely reporting trading positions, was unchanged. The other nine charges would not be dropped but "stood down" – meaning they would be taken into consideration for sentencing. Leeson pleaded guilty to both charges. The first carries a maximum sentence of one year, the second seven years.

Mr Ang, prosecuting, described what he called the "esoteric class" of trading known as financial derivatives, the workings of Simex and the Nikkei 225 contracts traded by Leeson.

Mr Ang told the court that, soon after arriving in Singapore in 1992 as derivatives operations manager at BFS, Leeson opened the special 88888 account within the BFS CONTAC system, the firm's computerised settlements system. Leeson, said Mr Ang, began to use the account for unauthorised speculative trading. "These unauthorised trades began on a modest scale. The volume soon grew," said Mr Ang.

In October 1994, Coopers started an annual audit of BFS. "Coopers' audit worried him for, by December 1994, his speculative activities in the 88888 account had led to a deficit of Y7.77bn." (£43.3m) In order to conceal that deficit, Leeson, at the end of December 1994, fed false Nikkei 225 trades into the CONTAC system. When Coopers eventually discovered a Y7.77bn discrepancy in the BFS accounts and asked Leeson for an explanation he blamed a system error.

He then "concocted the ingenious explanation" of an over-the-counter option trade, brokered by BFS on behalf of Spear Leeds and Kellogg of New York (SLK). To support this he forged letters from SLK and Mr Ron Baker of Barings Securities, London, confirming the trade. He then made book "round trip" transfers between two BFS Citibank accounts to show a

> 'He is remorseful and has mentally and emotionally prepared himself for imprisonment'

fictitious Y7.77bn had been paid in. When Citibank sent a faxed statement showing this amount, Leeson cut and pasted a photocopy to disguise the fact that this had been an internal BFS transfer.

"The actual collage was recovered from the drawer of the accused's desk in Barings Futures," said Mr Ang. Leeson told the Commercial Affairs Department (CAD), Singapore's financial police, he took the risk that they (the auditors) were not very good at their job. Subsequently Coopers gave BFS an unqualified provisional audit clearance for 1994.

On the second charge Mr Ang detailed the Simex trading system and the way Leeson came up with "a simple, yet highly effective scheme" to misrepresent his actual trading positions. He exploited weaknesses in the BFS CONTAC system to misrepresent his long trading positions and so misled Simex's computerised system into adjusting his short trades. Simex then was deceived into calculating the wrong margin requirements.

Mr John Koh, chief defence counsel, referred to the first charge as an act of simple cheating by "a dynamic but in the final analysis insufficiently experienced trader." The second act "reflected the desperate attempt of a judgment-impaired young man in panic trying to eliminate ballooning losses.

"It is critical to bear in mind that our client is to be punished on the charges and not for the collapse of Barings," said Mr Koh. Quoting the Singapore's inspector's report, Mr Koh said Barings' management must share responsibility. Proprietary trading was a ruthless business. Leeson recognised he had been misguided and had returned voluntarily to plead guilty. He had co-operated fully with the CAD. "He is remorseful and has mentally and emotionally prepared himself for imprisonment."

Mr Koh's mitigation was based on four points.

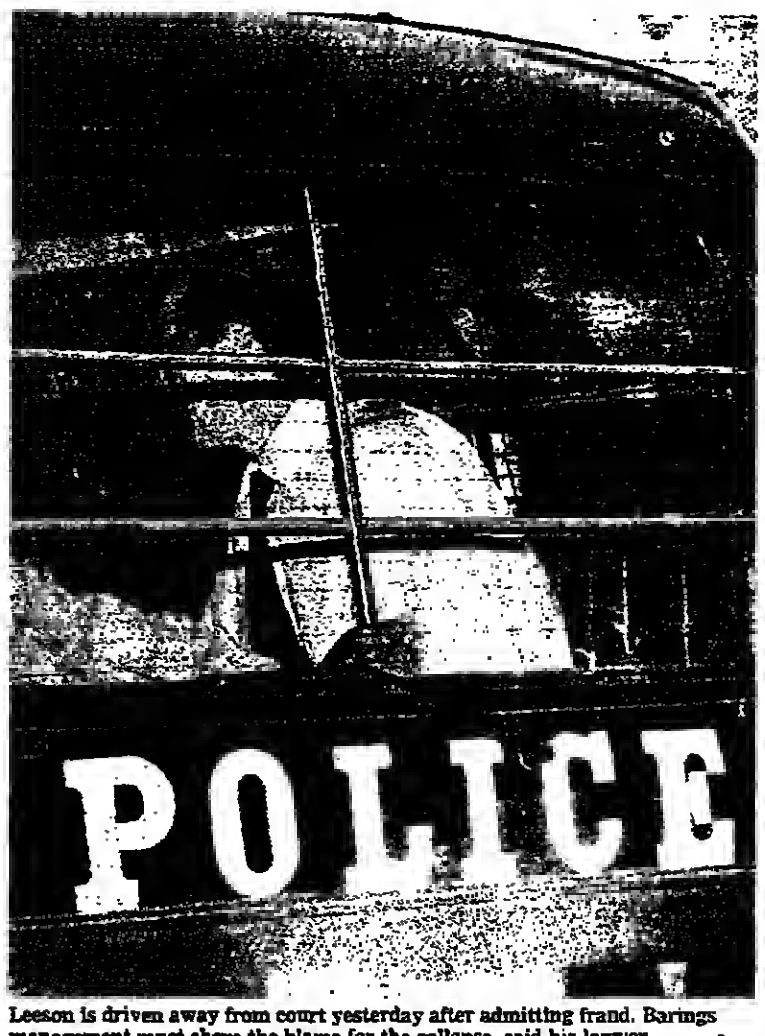
- The 88888 account was never secret and Leeson's trading was done openly. "There can be no doubt that as the trades got larger and larger...our client would have welcomed discovery.
- It would have become at least equally the responsibility of Barings to manage the positions he had taken and to rectify the situation.
- Leeson did not flee from Singapore. "It was the panic that caused him to leave...he left because he could not cope with the pressure." He travelled openly.
- He did not intend to malign Singapore's legal system but was misled into believing that in certain cases a fair trial was not possible in the island republic. He apologised for having such doubts.

On the first charge Mr Koh said Barings bosses, including local directors James Bax and Simon Jones, as well as many senior executives in London, knew of important balance sheet discrepancies but took no action. "They compromised to obtain an audit clean bill of health." Mr Koh said the auditors compromised themselves. They could easily have sought verification directly from SLK.

Mr Koh asked for leniency. "There was no loss caused to anyone. There was no pecuniary gain to him."

On the second charge, Mr Koh said as the trades began to look suspect, Simex queried BFS and Barings management and not Leeson. It received assurances from the Barings group. There had been no actual loss to Simex. No harm had been done to Singapore's image as a financial centre.

Mr Koh talked of Leeson's background, of how he helped his father bring up his younger brother and two younger sisters after his mother died. At the time of the offences, Leeson's wife had a miscarriage – an emotionally traumatic event said Mr Koh. This was not a usual case. "What he did was a cover-up of losses, not a cover-up of crimes...our client is not a crook," said Mr Koh.



Leeson is driven away from court yesterday after admitting fraud. Barings management must share the blame for the collapse, said his lawyer Reuter

LEESON'S PATH TO PRISON

January 1995 – Rumours surface among traders on the Singapore International Monetary Exchange (Simex) that Baring Futures Singapore (BFS) is building up massive positions on Nikkei stock futures on Simex and in Osaka.

January 17 – Earthquake in Kobe, Japan, causes Nikkei Index to plummet. Leeson's trading escalates.

February 1995 – Barings trading and losses rise even further, with holdings of $27bn of futures and options in Japan and Singapore in gamble on the Nikkei 225 index

February 23 – Leeson and his wife Lisa leave Singapore for Kuala Lumpur, Malaysia. From a Kuala Lumpur hotel, Leeson sends handwritten fax messages to two Singapore bosses, apologising "for the predicament that I have left you in".

February 24 – Leesons fly to Kota Kinabalu on Borneo island.

February 25 – In London, Barings staff and Bank of England officials sort through Leeson's positions to determine extent of losses, which appear to be at least £625m

February 26 – Barings crisis becomes public knowledge. Barings goes into administration.

February 27 – Regulators in Asian countries, including Japan, Malaysia, Singapore, Hong Kong and the Philippines, shut down Barings operations. Britain announces investigation by the Board of Banking Supervision and Control, as well as Bank of England and Barings internal inquiries. Singapore seeks Leeson's arrest on fraud charges.

March 1 – Leesons fly from Malaysia to Brunei, then board a flight for Frankfurt, en route for London.

March 2 – Leeson is detained on arrival in Frankfurt

March 3 – Singapore officials arrive in Frankfurt to seek Leeson's extradition

March 6 – Dutch bank ING buys Barings for £1 and injects $1.08bn to enable it to resume trading.

March 9 – Singapore's finance minister appoints two Price Waterhouse executives to investigate the Barings collapse.

March 21 – Simex names global panel to advise against future Barings-style crises.

July 18 – Report by Britain's Board of Banking Supervision blames Leeson and control failures for Barings collapse.

September 13 – Britain's Serious Fraud Office says it will not seek to extradite Leeson, ending his hopes of a trial in Britain

October 4 – German court orders that Leeson be extradited to Singapore to face trial. Leeson says he will appeal.

October 17 – Singapore official inspectors' report on Barings collapse accuses senior managers, including BFS managing director James Bax and Barings chief executive Peter Norris, of trying to conceal Leeson's trades.

October 29 – Leeson drops appeal against extradition to Singapore and apologises for having doubted the fairness of their legal system.

November 22 – Germany deports Leeson, who is accompanied by his wife and lawyers.

November 23 – Leeson arrives in Singapore and is formally arrested

November 24 – Leeson formally charged in court on 11 charges of cheating, fraud and forgery, but enters no plea. Transferred to maximum-security prison.

December 1 – Leeson pleads guilty to two charges of fraud, which carry a maximum sentence of eight years in jail, after prosecutors agree to 'stand down' the other nine charges.

China's unholy intervention over divine heir

Tony Walker on the politics of a Tibetan Lama's anointment

Set side by side with China's continuing rush to modernity, this week's anointing in Lhasa by religious luminaries and Communist party heavyweights of the reincarnation of the Panchen Lama seemed other-worldly.

Even by the most surreal standards of communist make-believe, circumstances surrounding the selection of a six-year-old heir to be the divine replacement for the 10th Panchen, who died in 1989, was reminiscent of a revolutionary soap opera.

Adding to a sense that China this week had somehow entered the theatre of the bizarre, Fidel Castro, the visiting Cuban president, and China's leaders exchanged Russian-style bear-hugs and addressed each other as comrade in ways that were a reminder of an earlier period.

Church and party came together on the roof of the world in curious juxtaposition for the anointing of the Panchen "soul boy", whose significance in the eyes of China's atheistic rulers in Beijing had much less to do with spirituality than it did with the realpolitik of the vexed Tibetan issue.

Since the Dalai Lama, the exiled spiritual leader of the Tibetan Buddhists, nominated his own candidate to be the Panchen's heir in May – the Panchen Lama is the second most important figure in Tibetan Buddhism – Beijing has exhibited a certain ruthlessness in enforcing what it regards as its right to sanction the choice of the new Panchen.

The Dalai Lama's nominee "disappeared", and there ensued a furious assault on the boy's reputation and that of his parents in the state-controlled media. Gedhun Choekyi was said to have drowned a dog, making him ineligible to be a lama. His family was branded as being "notorious among their neighbours for speculation, deceit and scrambling for fame and profit".

At the same time, China's rulers, from President Jiang Zemin down, became involved in the arcane process of selecting a suitable candidate from dozens of possibilities among six-year-old Tibetan children deemed to have the qualities necessary for such high spiritual office.

Harking back to practices established during the reign of Emperor Qianlong of the Qing dynasty in the 18th century, Beijing insisted that the names of three candidates be placed in a golden urn before the Jokhang temple in Lhasa: the Jokhang is Tibetan Buddhism's holiest shrine.

On Wednesday, at a ceremony presided over by Luo Gan, a hardline member of the state council, or cabinet, the successful candidate's name was drawn. And so it came to pass that Gyaincain Norbu, whose elflike features enclosed in a fur-lined saffron cap peered from the front pages of newspapers across the China, became the 11th Panchen.

People's Daily, the Communist party newspaper which spent much of its early period railing against feudalism, reported as justification for the government's involvement in the selection process, without apparent intended irony, the fact that in imperial times the result of the lot-drawing was reported to the emperor.

Why all the fuss? At stake for Beijing is what it perceives as the sanctity of China's claim to be sovereign rulers of Tibet in the face of attempts by the Dalai Lama and his supporters to engage in "splittism", as the Chinese describe actions aimed in their view at securing Tibetan independence.

The Dalai Lama himself has attacked Beijing's interference in the selection process, saying his intervention was a strictly religious matter. In a letter to President Jiang he appealed for information about the whereabouts of his missing choice as Panchen and appealed for his reinstatement.

While the spiritual leader did not use the word "pretender", there is no question that in the eyes of many Tibetans both in Tibet and in exile, the Beijing-sanctioned Panchen represents damaged goods.

In Washington, the International Campaign for Tibet said: "China will have a tremendously hard time convincing – or even coercing – Tibetans to follow a candidate picked by them, and not the one chosen by the Dalai Lama." It accused Beijing of mounting the "most aggressive and comprehensive political campaign ever to counter the influence of the Dalai Lama in Tibet and undermine Tibetan Buddhism".

Arguments over the authenticity of the new Panchen are certain to echo down the ages and China's rulers may come to regret their "divine" intervention.

Alleged fraud brings surprise and anger as President Mubarak's party wins 90 per cent of seats

Egyptian opposition denounces 'rigged' election

By James Whittington in Cairo

The scale of success for Egypt's ruling National Democratic party in this week's parliamentary elections has surprised observers and angered the opposition.

Although most constituencies showed no clear winner and will have to be re-run on Wednesday, the results so far show the NDP winning 90 per cent of the seats.

A landslide victory by the NDP was widely expected, but the extent of alleged vote rigging has provoked bitter resentment towards the government by many Egyptians. The result is being viewed in Cairo as a further indication of the government's unwillingness to allow political dissent.

Yesterday's opposition newspapers accused the authorities of widespread electoral abuses and thuggery. The pro-Islamist daily Al-Shaab ran a front page headline, "The Fall of the Regime's Legitimacy", above a picture of two polling officials filling in ballot papers.

Islamist candidates have been targeted. Many hoping to stand as independents for the officially-banned Moslem Brotherhood were given three-to-five-year jail sentences by a military court a week before the election for unspecified illegal political activities. Others complained of constant harassment by the authorities.

Yesterday, the secular opposition joined the attacks on the government. Mr Yassin Serag al Din, a Wafd party leader, said the elections were the worst in Egypt's history. "My initial optimism was shattered by the abuses I saw," he said.

So far, no candidate from any of the 13 opposition parties, most of which boycotted the last election in 1990, has won a seat. Mr Hassan al-Alfi, the interior minister, who denied electoral abuse, said the NDP, headed by President Hosni Mubarak, had won 123 out of 136 seats announced so far. The rest were taken by independents, many of whom are expected to side with the NDP. Mr Alfi said the turnout was the highest in recent years at 50 per cent of Egypt's 21m registered voters.

Counting is continuing in 14 seats and a further 294 will be re-run in a second round next week. After all the 444 elected seats are filled, Mr Mubarak appoints a further 10 parliamentarians to the house which rarely challenges government legislation.

Mr Mohamed Said Ahmed, a respected local commentator, said the results demonstrated a high level of insecurity felt by the regime. "What worries me is that the situation as they see it must be much worse than we thought. Otherwise there was no need to stick their neck out to such criticism," he said.

However, some diplomats played down the backlash. "Egyptians simply don't have a straightforward democratic process," said one. "Like all previous elections it was a free for all: whoever can fix it best will win. What has to be remembered though is that this isn't Syria or Iraq. There is a degree of political pluralism, there was a hard fought campaign, and the opposition can call foul when they lose."

Power of publicity turned on America's sweatshops

US retailers have been angered by a scheme to pressure them to monitor the conditions under which garments are produced

Mr Robert Reich, US secretary of labour, was outraged. "We have uncovered slavery here in the United States," he fumed after his department discovered a garment factory in El Monte, California where 72 Thai immigrants worked 18 hours a day in "sub-human conditions" to supply some of America's leading retailers.

"It's time for this industry to wake up," said Mr Reich, drawing attention to an increase in "sweatshop" labour in the US – long hours at below-poverty level wages.

Mr Jeff Hermanson of the Union of Needle Trades, Industrial, and Textile Employees (UNITE!), maintains that sweatshops "are becoming the norm rather than the exception". A 1994 report of the General Accounting Office noted that the current state of the US garment industry differed little from those at the turn of the century.

Mr Reich plans to turn up the heat on America's retailers who use sweatshops by issuing a "white list" of companies making "an honest effort to rid the industry of this problem". He will make the list public on Tuesday – timed to have maximum impact over the Christmas shopping season. He hopes the US media will dutifully follow with a "black list" by deduction.

"It's a scare tactic," one US official admitted, "but nothing else has worked so far."

Frustrated by congressional moves to cut his investigative staff by 12 per cent, Mr Reich says his only option now is to rely on the retailers to help police the industry.

But retailers complain that they lack the resources to track down the origins of every garment they purchase in the vast "food chain" of manufacturers, sub-contractors and even sub-sub-contractors.

"If they wished to know, they could know," Mr Reich says. Current law excuses retailers from responsibility if they were unaware that the goods they sold were made at sweatshops.

In order to make the "white list", retailers must submit detailed proof that they are shunning sweatshop-produced goods.

Several retailers have complained that the labour department is hurrying the process because of the publicity potential of the Christmas shopping season.

The timing of Mr Reich's move has angered several retailers. "What could be worse timing? The Christmas season is the most important," says Ms Allison Wolf of the American Apparel Manufacturers' Association.

"This could be disastrous for America's retailers," warns Mr Robert Blattberg of the centre for retail management at Northwestern university in Chicago, who says even a small shift in sales could translate into big cuts in profit. Retailers earn 20 per cent of annual profits during the Christmas season.

"What better season than Christmas to attract retailers attention?" Mr Reich counters.

The US garment industry has cut its workforce and consolidated under pressure from increasingly price-conscious consumers, cheaper foreign labour and the absence of strong unions.

That is fine for Mr Reich. "To argue that in order to have a certain number of jobs in the US, we need third world-type jobs is ridiculous. We don't need third world jobs in America.

"The fact that several retailers are monitoring it well and still making money belies the notion that it can't be done," Mr Reich says. A "cultural shift" is needed among retailers, he says.

Besides, Mr Reich points out that his plan could also reduce the number of illegal aliens who come to the US by taking away "the magnet of sweatshop jobs".

The success or failure of Mr Reich's plan depends in large measure on the amount of media coverage he manages to garner, and, in turn, the consumer anger that could be potentially engendered.

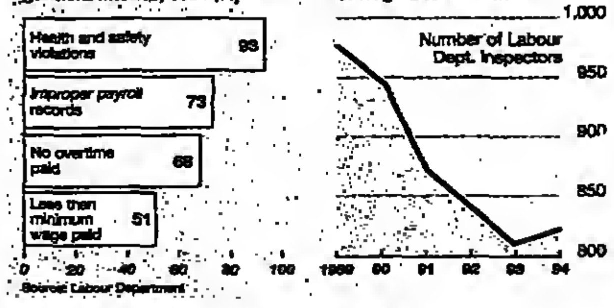
A recent poll by Marymount university in Arlington, Virginia, notes that an overwhelming number of US consumers would be willing to pay an extra $1 on a $20 garment that was guaranteed to have been made in a legitimate shop and would carefully consider the labour department list when making their shopping choices.

Critics of the poll say that consumers might say one thing on the telephone to salve their conscience but may act less righteously when they come to open their wallets.

"Ultimately, it's up to the consumer," Mr Hermanson said. "They are the ones with the power to spur retailers into action."

Afshin Molavi

US sweatshops



Source: Labour Department


Reich: scare tactic

Illegal emission device will cost GM $45m

General Motors is to recall and repair 470,000 Cadillacs that the US government says were equipped with illegal devices to defeat pollution controls, Reuter reports from Washington.

Under a settlement with the Justice Department, GM will pay an $11m fine, spend more than $25m to recall and refit the vehicles and up to $8.75m on projects to offset emissions from these vehicles, such as buying back older cars or buying new school buses.

This was the first judicial vehicle recall aimed at curbing damage to the environment, the government said, and the $11m civil penalty was the second largest under the Clean Air Act.

The Justice Department said the settlement resolves civil claims, and said the department has "no present intention to go after GM criminally".

GM, the world's largest car manufacturer, said it strongly disagreed with the government's allegations. But Mr Dennis Minano, GM vice president for corporate affairs, said: "Importantly, the matter has been resolved."

The agreement, filed in the US district court in Washington, settled government charges that GM sold cars that violated the Clean Air Act and were equipped with illegal "defeat devices" that released about 100,000 tons of excess carbon monoxide pollution.

"These devices sacrificed public health and defied the laws that are in place precisely to prevent the long-term health effects that carbon monoxide air pollution causes," Ms Carol Browner, environmental protection agency administrator, said. "These illegal devices caused enough additional air pollution to blanket a major US city, such as Washington, with a 10-foot layer of carbon monoxide."

Carbon monoxide can contribute to heart and respiratory problems, and can lead to headaches, impaired vision and reduced ability to work and learn, the government said.

The allegations stemmed from an EPA investigation on GM's 1991-1995 Cadillacs, including Seville and Deville models, equipped with 4.9 litre engines.

In routine testing in 1993, the EPA found that the engines emitted up to 10 grams of carbon monoxide per mile with the climate control on, well above the 3.4 grams per mile limit.

GM said it did not believe the cars violated the Clean Air Act, and said it was "troubled" by the $45m settlement it agreed to pay.

"This is a matter of interpretation of current regulations regarding the complex issue of off-cycle emissions," Mr Minano said, adding that the agreement "follows a long process in which GM worked extremely hard to resolve the matter and avoid litigation".

GM said it was voluntarily recalling the 470,000 Cadillacs to install new fuelling calibrations to reduce emissions when the air conditioning is on.

Mr John Casesa, a car analyst for Schroder Wertheim investment firm, said the recall and financial penalties were unlikely to have a negative effect on GM.

"The things that concern customers are safety recalls. I don't think emissions recalls have really any impact on customer's perceptions of the vehicle," he said.

Peace talks with US Names to open today

By Ralph Atkins, Insurance Correspondent

Some of the most militant Lloyd's Names in the US have entered peace talks which could pave the way for a deal ending much of the litigation bligbting tbe insurance market's reputation in the states.

Mr Ron Sandler, Lloyd's chief executive, and Mr Philip Holden, head of the market's financial recovery department, are in California today to tell the American Names Association how the settlement process will work.

The rapprochement is significant because the American

LLOYD'S
LLOYD'S OF LONDON

Names Aseociation – unlike Names' groups in the UK – has not taken part in talks on Lloyd's recovery plan launched in May. Names are the individuals whose assets have traditionally supported the insurance market. "As part of its litigation strategy, the ANA has agreed to consider the possibility of settlement with Lloyd'a, if anch can be achieved for tbe benefit of members," the US association said.

Lloyd'e recovery plan, due to be implemented in the Spring, would apply to all Names. However the US association, representing about 800 Names, has seen its interests being best served by continuing litigation. It argues US Names have a particularly strong case in arguing they were deliberately misled abont the riske involved in joining Lloyd's.

Mr Richard Rosenblatt, association chairman, said: "Our understanding is that when you buy something, there is full disclosure. In England you have *caveat emptor* which means it is up to the buyer to decide whether the goods are as described. It is a subtle but giant difference."

To break the deadlock, Lloyd's is, in effect, dealing with the US Names separately from others. That could offer the Names the prospect of a quicker deal than under the main recovery plan – although it was unclear last night whether better financial terms would be available.

The settlement talks are a fillip for Lloyd's which faces investigations by securities regulators in Arizona, Illinois and Colorado worried abont the possible mis-selling of Lloyd's membership.

Lloyd's helieves its hands has been strengthened by the decision of US courts to rule that claims against the insurance market should be heard in the UK. But Mr Rosenblatt insisted litigation would continue pending a settlement and that appeals and court hearings in the pipeline ruling may well go in the Names' favour.

Premier insists IRA must disarm

Financial Times Reporters in London and Dublin

Mr John Major, the prime minister, yesterday warned Irish republicans that the euphoria surrounding Preeident Bill Clinton's visit to Ireland will not reduce British pressure on the Irisb Republican Army to disarm before its political allies enter all-party peace talks.

Mr Major said the president's "remarkable" visit had given "a huge boost" to the peace process. But he warned that parties representing illegally armed paramilitary organisations would have to "change tbeir ways" before entering constitutional negotiations.

His comments were clearly aimed at the oationalist Sinn Féin party. "They are going to show that they, like other parties, are committed to exclusively peaceful methods," Mr Major said at a Conservative party conference in London. "The time has come for them to start ridding themselves of weapons and explosives so that they, too, can join the constitutional negotiations."

In the Republic of Ireland, President Clinton crowned a triumphal visit to Britain and Ireland witb an address in Dublin to a crowd of tens of thousands. He told them that a furtber breakthrough in the peace process "will lift your neighbours in Northern Ireland; if there is peace in Northern Ireland, it is your victory too."

Talking beads: President Bill Clinton in Dublin yesterday with President Mary Robinson of the Republic of Ireland

Officials of the government of the Irisb Republic said Mr Clinton's trip, and his carefully balanced appeals to Roman Catholics and Protestants to take risks for peace, had provided a strong platform to consolidate the search for a political settlement for the North.

After bolding talks with Mr John Bruton, prime minister of tbe republic, Mr Clinton described tbe "twin track" strategy launched by the British and Irish governments last Tuesday as "a brilliant formulation". Mr Clinton praised Ireland's contribution to the development of the US and its role in recent United Nations peacekeeping operations. "You have made peace beroic," he told them.

The president called on Ireland's opposing religious traditions to "learn to respect differences" and to "fight the struggle within onr own spirit".

Irish commentators likened the evangelic tenor of Mr Clinton's appeals to the people to those of President John F. Kennedy, wbo visited tbe Republic of Ireland in 1963.

50 people arrested in crackdown by Customs

By Roderick Oram, Consumer Industries Editor

Brewers and distillers said yesterday they were virtually powerless to prevent fraudulent exports of their products which are costing the government tens of millions of pounds in lost excise duties.

Their comments came shortly after Customs & Excise investigators arrested nearly 50 people across the country. The investigators alleged that the 50 were involved in such an export scam.

The raid by 400 officers on Thursday of some 70 bonded warebouses, transport depots and homes followed a long investigation into trucking companies and related parties based in south-east England. Abont 15 of the most senior executives arrested are likely to be charged, Customs said. Some 2m bottles of drink were seized.

Customs officers alleged that the people arrested were buying from brewers and distillers duty free becanse the goods were meant for export. The goods were trucked to the gang's own bonded warehouses in the UK and then to a warehouse in Antwerp, Belgium. The gang then returned the goods to the UK under false documents and sold the beer and spirits duty free into the UK trade.

About 60 per cent of the cost of a bottle of spirits is excise duty, so the scope for profit under such a scheme was substantial, Customs said.

Officers alleged that the gang had organised 15 to 20 truck trips to Antwerp each week for the past nine months. The fully-taxed UK retail value of the shipments could be between £200m ($308m) and £300m, representing a tax loss of up to £180m.

Since the advent of the European Union single market in 1993, Customs has stopped making regular inspections of trucks and documents at UK ports. As a result, the UK drinks industry believes, the volume of this form of fraudulent "diversion" exports has risen dramatically. "We are obliged to sell to anybody who has a bonded warehouse . . . and the number of bonded warehouses has increased sharply in recent years," a leading distiller said.

Bass, Britain's second-largest brewer, said government rules allow it to refuse to sell to a customer on only three grounds: they are not creditworthy; they fail to return kegs; or they do not store beer properly. "Customers don't have to prove to us that they are exporting," Bass said. If the customer has a bonded warehouse, the customer can buy the beer duty free.

The distiller said that it was devoting much more resources to trying to track goods which might be illegally reimported because such trade was damaging to legitimate wbolesalers and retailers. But little progress could be made until it was easier to track goods through, for example, different labels.

Drinks record biggest surplus

Figures published yesterday suggest that the manufacturing item for which the UK is running its greatest trade surplus is in alcoholic beverages – mainly whisky and gin, our Economics Correspondent writes. A report from market research group Taylor Nelson AGB has calculated trade balances and import penetration levels across a range of items by comparing manufacturing data with trade data.

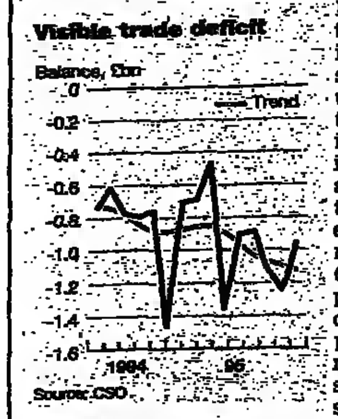
The data sbow that in 1993 the alcoholic beverages sector recorded a trade balance of £2.1bn ($3.2bn) amid bealthy exports and few imports. The next-largest positive trade balance was in aerospace, which is the third-largest manufacturing sector in the UK.

Although aerospace items were the largest single export category in 1993, they were also the fifth-largest import item, resulting in a trade balance of £2.06bn.

Vehicles were the UK's largest manufacturing industry. But although cars are the second largest export, they are also the largest import, resulting in the largest trade deficit of any sector in 1993.

UK NEWS DIGEST

September trade data buck trend



Britain's trade balance with the rest of the world improved in September, official figures showed yesterday. But the underlying trend suggests that the deficit is gradually deteriorating, reversing tbe improvement seen in the balance last year, the Central Statistical Office said. Analysts expect September's improvement will be wiped out in October, since data already published on the balance with countries outside the European Union show that the non-EU trade balance widened sharply in October. The CSO said that the visible deficit for trade with the whole world in September, measured overall, was a seasonally adjusted £1bn ($1.54bn) – the lowest level for three months. This improvement partly reflected a 4.5 per cent growth in exports, which largely stemmed from a 10 per cent rise in exports to non-EU countries. Imports rose by 2 per cent in the month – again, largely because of non-EU trade.

Gillian Tett, Economics Correspondent

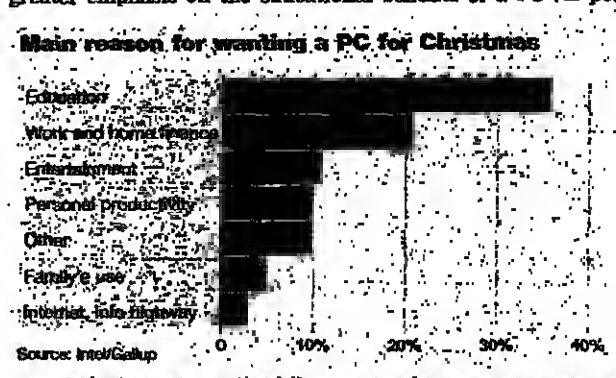
NatWest Tower now 'surplus'

National Westminster Bank is expected to announce next week that it will not reoccupy the NatWest Tower, the tallest building in the City of London, which was badly damaged by an Irish Republican Army bomb in April 1993. The 190m building has been empty since the IRA blast, which shattered much of the 12,000 sq m of glass in its windows. The bank moved 1,300 staff to other sites in the City and has now decided that the tower is surplus to requirements.

The NatWest Tower was built as a headquarters for the bank in the late 1970s. It was the UK's tallest building until the completion of the main tower at Canary Wharf, the large office development in London's docklands, which is 65m higher. Property agents said the building was unlikely to be re-let to a single tenant euch as an investment bank. Despite its impressive beight, the floors are too small to satisfy modern banking requirements. It is likely that the building will be let floor-by-floor as a business centre, similar to New York's Empire State Building. *Simon London, Property Correspondent*

PCs top Christmas wish list

More than four out of 10 consumers in Britain (43 per cent) would chose a £1,000 ($1540) multimedia personal computer for Christmas in preference to other popular and identically priced gifts, according to an Intel/Gallup survey. The choice included a colour TV (19 per cent), hi-fi system (24 per cent) and 35mm camera kit (7 per cent). Education emerges as the main reason why people want to buy a PC. Women place greater emphasis on the educational benefits of a PC (41 per cent against 28 per cent) while men are keener on games (15 against 7 per cent). The survey, prepared by Gallup for Intel, the US semiconductor manufacturer, was based on face-to-face interviews with almost 1,400 consumers aged between 16 and 54.



Paul Taylor, Industrial Staff

Soldier alleges combat stress: A soldier who served in the British army in the Gulf War of 1991 escaped jail after a judge accepted that combat stress led to him taking part in a truck hijack. Former Corporal Michael Driscoll, who won a gallantry medal in the war, said his combat experiences had left him with severe depression, suicidal thoughts and alcoholism. He had witnessed many deaths and had been in a convoy of ambulances which had driven into an Iraqi minefield. Although wounded by shrapnel, he had stayed to tend dying medical staff. "The US has recognised 'Gulf War Syndrome'", Mr Driscoll said after the hearing in Cambridge. "Why can't this country?"

Anti-war manuscript sold: The original manuscript of All Quiet on the Western Front, one of the most famous war novels of the century, was sold at Sotheby's in London for £276,500 ($431,300). It was bought for by a dealer acting on behalf of a buyer from Osnabruck in Germany. That was the birthplace of Erich Maria Remarque, who wrote the book in 1929. "The existence of this text was unsuspected until very recently," said Sotheby'e.

Scrutiny ahead for Murdoch TV

The Office of Fair Trading yesterday announced a six-month review of the position of British Sky Broadcasting in the pay television market, Raymond Snoddy writes. Mr John Bridgeman, director-general of fair trading, said he woold review informal undertakings given by BSkyB in March following complaints from cable operators. Mr Rupert Murdoch's media conglomerate is the biggest stakeholder in BSkyB.

The review will cover mainly issues relating to the terms under which BSkyB supplies programme channels such as *Sky Sports* and *The Movie Channel* to cable operators.

The main areas of contention include BSkyB's practice of "bundling" channels and offering them at a set fee of about 60 per cent of what BSkyB charges those with dishes. The two largest cable operators – TeleWest and Nynex – are not involved in the dispute.

● The independent Television Commission is facing the possibility of a second court review of its decision to award the Channel 5 television licence to Channel 5 Broadcasting, a consortium made up of MAI, the television and financial services group; Pearson, owner of the Financial Times; CLT, the Luxembourg-based international broadcaster; and Warburg Pincus, the US investment bank.

UKTV, the consortium put together by CanWest Global Communications of Canada, yesterday reversed an earlier decision and decided to seek a review.

Privatisation Overseas groups not barred from bid for military property

Sale of soldiers' homes marches on

By Simon London, Property Correspondent

Privatisation of houses used by married members of the armed forces has advanced further with the issue of an information memorandum for potential bidders. The Ministry of Defence, advised by investment bank NatWest Markets, is convinced that a sale in this relatively uncontroversial section of the government's privatisation programme can be wrapped up by next summer.

The ministry's confidence has some justification. The worries of many in the forces should be soothed by the fact that after privatisation their homes will still be managed by the ministry.

NatWest Markets insists that the field is open. Despite the military connections, a buyer from outside Britain has not been ruled out. Fewer than 20 per cent of the properties are within security-sensitive areas such as army bases.

With management in the hands of the ministry, individual tenants should notice little change in the day-to-day management of their homes. This should belp avoid a political furore if the eventual buyer draws oo overseas capital.

Investors should be attracted by the prospect of buying a 25-year stream of government-backed income with none of the troublesome responsibilities for rent collection or estate management.

This relatively clean structure stands a better chance of success than the doomed plan for a Crown housing trust which was vetoed by the Treasury two years ago.

Bnt how much might be raised from the privatisation of the married quarters estate? Looking at the open market value of the properties is largely irrelevant. Most of the homes are occupied by service personnel and will remain so for the foreseeable future. The important fact is that potential investors will receive a secure income of not less than £100m ($154m) in the first year.

The level of guaranteed income will depend on the speed at which the ministry's requirement for housing declines. It will also depend on the behaviour of rents, which will move in line with open-market levels, reviewed every five years. Applying an aggressive yield of around, say, 6 per cent to the initial rental income suggests a capital value of about £1.6bn. At 8 per cent, the average yield in the commercial property market, the capital value is closer to £1.25bn. But this ignores potential capital profits. For example, the buyer of the married quarters estate will be given between 3,000 and 7,000 freehold properties which are already surplus to ministry requirements.

These houses can be either let on the open market, sold or redeveloped. More properties will become vacant as the ministry's requirement for married quarters diminishes. Houses will be handed back each year, which will gradually reduce the flow of government-backed rental income but could lead to redevelopment opportunities.

Quite where the market will settle on a price is an open question. But proceeds of between £1.5bn and £2.5bn look likely depending on whether NatWest markets can drum up some competitive bidding. The parcel of assets is probably too large to be sold to a single investor. The range of skills required fully to exploit the assets – investment, property management, development, housebuilding – also suggests that a consortium is the most likely winner.

The biggest risk is that conservative UK institutional investors will hold back because of the residential nature of the assets. Despite the financial packaging, investment in residential property remains a minority pursuit.

A US railroad company is poised to take over the running of the royal train and Royal Mail train services. Wisconsin Central Transportation has been selected as preferred bidder for Rail Express Systems, an offshoot of the state-owned national network. Apart from the train, which carries members of the royal family, RES also operates Royal Mail's travelling sorting offices and vintage steam trains used for excursions.

Mr Tom Power, Wisconsin's financial director, said be did not foresee any problems carrying members of tbe royal family. "We are quality operators and we are in this to do tbings rigbt," be said. "We have handled President Bush on our railway during election campaigns. If we can satisfy the secret service of the US government I don't see us having a problem in the UK." But Mr Brian Wilson, the opposition Labour party's chief transport spokesman, was critical. "It is a further Tory humiliation for Britain that we need Americans to own and operate the engines which pull the royal train," he said.

Alliance joins list of building societies which have withdrawn from agency operations

A&L seeks buyer for estate agency

By Alison Smith, Investment Correspondent

Alliance & Leicester, the UK's fourth largest building society, is seeking to dispose of its estate agency.

The move will make it the latest in a stream of mortgage lenders to retreat from estate agency, a business which they entered in the 1980s as a way of generating and protecting mortgage sales.

Bristol & West, the ninth largest society, is set to sell its Hamptons estate agency chain within the next couple of weeks. It is in detailed discussions with a single potential purchaser.

A&L has not yet decided how to dispose of its 71-branch operation. It is focused in three areas – the east Midlands, East Anglia and south-east England – and was built up over two years from 1989.

However, the society is conscious that the current climate is not an easy one in which to sell at a reasonable price. Nationwide, the UK's second largest society, sold its 304 estate agency branches last autumn for £1.

The difficulties of estate agency were underlined in October, when Cornerstone, the independent estate agency chain, put 70 of its branches into receivership.

However, some of the UK's largest mortgage lenders forecast a 10 per cent rise in transactions next year. This would make estate agency more attractive.

A&L's estate agency incurred a pre-tax loss of £4.6m in 1994, similar to the previous year.

The society would not comment yesterday except to say the subsidiary was "under review, in common with all our other subsidiaries".

Disposing of the estate agency appears to be another strand in A&L's preparations for becoming a public limited company. It is expected to announce its intention to become a bank early next year.

It recently announced plans to streamline its core operations with the closure of more than 40 of its 400 plus branch network.

Amec defence likely to promise £35m next year

By Andrew Taylor, Construction Correspondent

Amec, the UK construction group, will indicate that its pre-tax profits could rise by at least three quarters next year when it publishes its defence document against a hostile bid from Kvaerner, the Norwegian shipbuilding and engineering group.

Amec is due to publish its response to the 100p a share offer next week.

The company is expected to produce figures which would imply a pre-tax profit recovery to about £35m next year. This compares with brokers' forecasts of £20m for 1995, which Amec will admit is likely to be close to the actual figure.

Brokers have been forecasting profits of just £26m for next year. Kvaerner used this "consensus" figure to claim that its offer represented an exit multiple of 24 times forecast earnings for 1996. A pre-tax profit of £35m would produce earnings per share of about 8p, based on a 21 per cent tax charge, implying an exit multiple of 12.5 – almost half that claimed by Kvaerner.

The defence document will argue that the ordinary share offer substantially undervalues the quality and profits recovery potential of the international engineering and construction businesses.

Kvaerner has still to make an offer for the 172m preference shares. This is expected to push up the cost of the acquisition to £375m. The Norwegian company could, however, recoup about £100m from its proposed sale of Amec's housebuilding and commercial property businesses, currently valued in the books at £160m.

Amec will have to work hard to convince investors and analysts that profits will recover sharply next year, given previous disappointment with its performance.

However, it is confident that the completion of problem contracts together with improvements made to its offshore oil and gas fabrication business, where it has recently achieved a radical new labour agreement, will push profits substantially higher.

The release of cash from the ending of the Tiffany North Sea oil rig contract for Agip of Italy could boost profits by approaching £9m next year.

A further £6m could be generated from the offshore fabrication business which will not have to bear rationalisation costs again and will be starting to benefit from improved efficiency.

Orders have risen steeply following the cost-cutting deal with the unions. Amec has claimed that Kvaerner has insufficient North Sea work for its Norwegian yards and should be paying a much bigger premium if it wants to take advantage of Amec's stronger market position.

Amec also is likely to stress the growing strength of its international construction and engineering business, particularly in east Asia. Overseas orders have risen by almost £700m to about £1bn in the past 12 months and now account for about a third of Amec's total construction and engineering orders.

The Norwegian company yesterday purchased a further 1.2 per cent of Amec's ordinary shares, lifting its stake to just above 18 per cent.

MAID's Internet supply link boosts shares

By Paul Taylor

Shares in MAID gained more than 16 per cent yesterday after the UK-based online business information supplier announced that it would provide its Profound business intelligence online service over the Internet.

The shares, which have been extremely volatile since the company floated at 110p in March last year, closed 39p higher at 274p yesterday.

In August the shares more than doubled after it announced a strategic alliance with Microsoft under which it would provide business information services for Microsoft Network Online.

Mr Dan Wagner, chief executive, claimed the company's engineers had achieved a technical breakthrough in order to make MAID's business information databases available to the estimated 30m people who have access to the Internet.

Internet browsers will be able to log into MAID's computers on the World Wide Web, part of the internet based on graphics pages, and search for information in real time.

MAID's computers store the equivalent of more than 100m pages of business information.

"We have converted a mainframe system to a massive web site," he said. "The internet has suffered from a lack of structured business information, we are proud and excited to be the first major online business information service to offer a full one-stop shop on the Internet.

"Using Netscape Technology we will offer the most advanced features possible through the Internet."

The new service will be structured so that it generates revenues from MAID's existing corporate customers as well as the occasional information seeker.

New customers will be asked to provide credit card details over a secure link once only, after that access will be via passwords.

To support the new service MAID also announced that it has signed an agreement with Netscape, the California Internet software company, and will provide Netscape Navigator software to customers who require it.

Chrysalis returns to the black and pays dividend

By Raymond Snoddy

Chrysalis, the media group responsible for television series such as *Crocodile Shoes*, yesterday announced a move back into profit, thanks to the sale of a radio stake, and its first dividend for two years.

In the year to August 31, the visual entertainment, export, music publishing and radio group made a pre-tax profit of £1.02m (£3.39m loss) on turnover of £74.3m (£70m). A final dividend of 2.75p is payable from earnings per share of 2.85p (11.06p losses).

Mr Chris Wright, chairman, said yesterday that all four divisions made considerable progress during the year and that he was convinced the company now had "a maintainable dividend policy".

He conceded, however, that Chrysalis would return to a pre-tax loss in the current 12 months, although he was more optimistic for the year after.

Operating losses this time amounted to £6.97m (£4.25m). The company made a profit of £11.5m on disposals – mainly a stake in Metro Radio – offset by a £4.8m write-down in the carrying value of Air Studios.

Chris Wright: Chrysalis lost money on the Crocodile Shoes series

Chrysalis has been spending money on expanding its music publishing, television production, film development and distribution and radio activities. "As a company we don't know what else we could do. We are trying to build businesses," Mr Wright said yesterday. He added that the transformation from a music company to a broadly-based media group was almost complete.

A total of £5.1m had been invested to start-up businesses and £2.4m injected in new signings to music publishing.

The company plans to apply for all four of the new regional licences to be advertised by the Radio Authority.

Chrysalis also admitted yesterday that it lost money on the *Crocodile Shoes* series, despite its ratings success. There was cost overun because of the illness of Jimmy Nail, the writer, director and star of the series.

Barclays to split its financial services

By Alison Smith

Barclays, the UK's second largest bank, is splitting its financial services operation from the end of this year.

Barclays Life and Barclays Unicorn will be brought within the UK banking services business, while Barclay-Trust, which includes trustee activities and retail stockbroking, will come within BZW Asset Management.

It is a further, though smaller, shake-up in the business following the decision this year to close the independent financial advice operation.

The changes announced yesterday will mean the end of Barclays Financial Services as a unit, and the departure of Mr Ken Bignall, managing director.

Mr Martin Taylor, chief executive, said the move marked "another important step" towards creating a group better focused on its markets and able to offer better services.

It also shows the divergence among banks that own life assurance companies about how best to structure the businesses.

At National Westminster, for example, financial services and the retail bank are separate businesses.

£851m Swalec bid expected on Monday

By Peggy Hollinger

Welsh Water is expected to launch a hostile offer for South Wales Electricity on Monday, after three weeks of abortive negotiations with its target.

The market expects the water company to pitch its bid at 916p a share, valuing Swalec at £851m, a level the electricity group's board rejected as lamentably low on Thursday.

Institutions were this week indicating that an offer at this level would be considered a reasonable opening shot. "I am not saying it is the right level, but it is not demonstrably derisory," said one shareholder. "At this level I think it would be a close-run thing."

Welsh Water sought to get Swalec's recommendation with a cash and share offer of 800p, plus the 100p special and 16p interim dividends declared by the electricity company this week, including tax credits, the offer would be worth 945p to gross funds. However, Swalec's board is thought to be holding out for a net offer closer to 950p.

Welsh Water said yesterday that this was strange, given that in the second round of negotiations on Wednesday, it claims Swalec's board had indicated it would accept an offer of less than 950p.

Welsh Water was yesterday meeting its advisers, NatWest Markets, to hammer out the structure of its offer. It is planning a largely cash offer, with a smaller share element. About three quarters of the total deal is likely to be financed with debt, the rest through equity.

Swalec, meanwhile, said it had heard nothing from the water company. The board met yesterday to deal with normal business arising after its results announcement.

Wolves cheered by dedicated beer drinkers

By Roderick Oram, Consumer Industries Editor

Wolverhampton & Dudley Breweries delivered a ringing defence of its regional brewing strategy yesterday – bolstered by the managing director's experience behind a Birmingham bar – as it unveiled a 14 per cent rise in annual pre-tax profits to £43.5m.

"Consolidation is not the only game," said Mr David Thompson, managing director of the UK's largest regional brewer. "Most important is the development of your own business." Although Scottish & Newcastle had bought Courage and other takeovers could follow, sheer size was not the issue. Wolves believed it had purchasing power similar to much larger brewers. It already had the leading Midlands brand in Banks's, a strong portfolio of premium lagers and critical mass in its pub chain.

With only 16 per cent of the Midlands market and 4 per cent of the north-east through its Camerons business, the group had plenty of scope for growth.

Working last Saturday evening as a barman at one of Wolves's pubs on a Birmingham housing estate only heightened his enthusiasm. "It was a completely hilarious evening," said Mr Thompson. "The age of the dedicated beer drinker is far from dead. People still made complete sense after 10 pints and could sing into the karaoke machine with passable musical talent."

Beer drinking among women is clearly on the rise, he believed, thanks to better and more varied beers, less aggressive marketing and greater conviviality in pubs. "Those girls didn't mess around. They were drinking pints." Mr Thompson has often worked behind the bar but has recently required it of senior executives.

The results for the year to October 1 were at the top end of City forecasts and the shares closed up 21p at 551p. They reflected an improvement in the second half after disappointing interims. Take home trade volumes rose 15.5 per cent; on-trade volumes fell 2.9 per cent reflecting a loss in free trade sales.

Pre-tax profits before property disposals were up 7 per cent at £40.2m on turnover ahead 4 per cent to £230m. Debt fell to £38.1m (£67.1m) and gearing to 9.6 per cent (17.9 per cent) thanks to the £25m disposal of its hotel chain. A proposed final dividend of 9.9p makes a total of 15.3p, up 10 per cent. Earnings per share rose from 39p to 45.6p.

● **COMMENT**

David Thompson is renowned among brewers for his insightful analysis of the industry and his unalloyed pleasure in its product. After slightly downbeat interims, the City was pleased to see him and Wolves return to form with these results. One of Wolves's strengths is its attention to detail thanks to its deep understanding of its customers and products. That shows in its pub performance and its ability to profit from the lowest beer prices in the country. Profit growth will be steady but sound thanks to pub investment. This year, a forecast £42.4m before property profits gives an undemanding multiple of 13. One for the long haul, even if the ladies of Birmingham switch to halves.

Proteus shares jump on patent agreement

By Motoko Rich

Shares in Proteus International, the biotechnology company, soared 32 per cent yesterday as the group announced the first of five deals it plans to sign in the next three months.

The group has licensed its patent for the technology underpinning its NISV vaccine adjuvants – antigens that stimulate the immune system and improve vaccine performance – to SmithKline Beecham, the Anglo-American healthcare group.

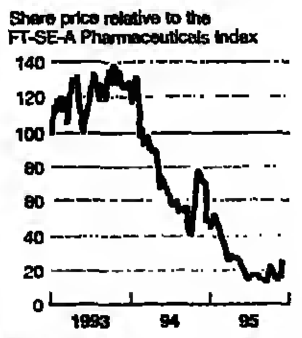
The shares rose 35p to 144p on the news, which followed the promising cancer drug results published on Thursday by British Biotech, the UK's largest biotechnology company.

Proteus will be eligible for royalty and milestone payments as SB uses technology covered by the patent. Other companies are also producing adjuvants using Proteus' technology, and the group could receive royalty payments even if SB uses adjuvants made by these companies.

Mr Jurek Sikorski, chief executive, said the deal could be worth "several millions of pounds per year at peak sales". The agreement is worth about $1m (£600,000) over the next three years.

Proteus

Share price relative to the FT-SE-A Pharmaceuticals Index



Source: FT Extel

Mr Sikorski said that SB had the option of converting the agreement to an exclusive one.

SB, a leading vaccine manufacturer, generated sales of more than $500m in its vaccine business last year.

It is understood that Proteus will sign a deal with a leading cardiovascular company – thought to be Merck of the US – on its DNA-binding technology in the next few weeks.

McCarthy & Stone lifted by lower land and building costs

By Tim Burt

McCarthy & Stone, Britain's biggest builder of retirement homes, yesterday reported a near doubling of profits following a sharp reduction in land and building costs.

Pre-tax profits jumped from a restated £4.7m to £9.2m in the year to August 31, after lower overheads helped lift gross margins from 37 per cent to 33 per cent.

The improvement, achieved on reduced sales of £67.3m (£71.2m), persuaded the group to declare its first dividend since 1991 with a full year pay-out of 2p.

Mr Matthew Thorne, finance director, said the profits growth was due mainly to favourable land costs, which have fallen by more than 30 per cent in the past three years.

"We are now spending £10,000 per unit on land, compared with £15,700 in 1993-94," he said.

Sales of McCarthy units – mostly sheltered accommodation flats – fell from 936 to 915, but Mr Thorne blamed the decline on supply shortages rather than weakening demand.

The group predicted improved sales after starting the current financial year with more than 1,100 completed units, against 864 last time. Selling prices, meanwhile, increased by 1 per cent to £65,300 (£64,700).

Mr Thorne warned, however: "We continue to be constrained by the increasing difficulties in securing planning consents on a timely basis due to the delays in processing applications and appeals by local authorities."

Earnings per share rose 53 per cent to 7.2p (4.7p).

Goldsborough tops £6m with 17% rise

By Motoko Rich

Sales in the homecare and acute hospitals businesses of Goldsborough Healthcare rose to more than 50 per cent of turnover for the first time, as the group lifted full year pre-tax profits by 17 per cent from £5.26m to £6.16m.

Mr Graham Smith, chief executive, said the increasing contribution from homecare and acute hospitals matched the group's strategy of decreasing its dependence on nursing homes, where substantial investment and high gearing were necessary to generate growth.

He said the group's goal was to equalise profit contributions from each division in the next few years.

Turnover advanced 22 per cent from £41.7m to £51.1m in the year to October 1. Within that, acute hospitals showed the strongest growth, raising sales 47 per cent from £7.8m to £11.5m and operating profits 52 per cent to £2.9m (£1.9m).

Homecare followed with a 23 per cent rise in sales to £17.1m (£13.9m) and 27 per cent lift in operating profits to £1.9m (£1.5m).

Nursing homes advanced sales by 11 per cent to £23m and operating profits were up 6 per cent at £6.6m (£6.2m). Mr Smith said growth in the division was only generated by acquisitions and new home openings.

During the year, the group added 200 beds to its care homes, bringing the total to 1,453. Occupancy rates averaged 92.5 per cent, compared with 95 per cent.

Earnings per share fell from 13p to 12.3p. The final dividend is raised 17 per cent to 2.7p, making a total of 3.9p (2.3p).

O'Reilly consortium ups NZ stake

By Christopher Price

A consortium headed by Mr Tony O'Reilly, the Irish entrepreneur, has paid NZ$66m (£28.7m) to increase its stake in Wilson & Horton, the New Zealand publisher.

The purchase of a 7 per cent stake takes the holding of Independent Press, a joint venture between the O'Reilly Trust and independent Newspapers, to 44 per cent. Independent Press paid NZ$9.50 a share for its 6.94m shares.

The consortium bought into the New Zealand group in May, purchasing its 29 per cent stake from Brierley Investments.

Four of the consortium's directors sit on the Wilson & Horton board, while Mr Michael Horton, managing director, has become a director of Independent Newspapers.

Cater Allen down as stock lending falls

By Christopher Price

Cater Allen, the financial services group, yesterday unveiled a 6.5 per cent dip in half-year pre-tax profits, from £10.1m to £9.44m, blaming a decline in its stock lending business. On a like-for-like basis, the fall was 1.5 per cent.

Mr James Barclay, joint managing director, attributed the fall to the previous first half's "exceptional" performance. "Last year was very good, this year is just good."

Pre-tax profits from the stock lending busines fell 20 per cent from £5.32m to £4.25m. Margins declined in the domestic market as conditions became more competitive, while the international business was hit by the decision by Barclays to reduce Cater Allen's share of a joint venture.

Offshore trust and banking saw profits increase 58 per cent to £3.11m. Mr Barclay said the business was one which the group wanted to expand further.

Jersey, where the company has a trust fund and private bank, was proving attractive to offshore funds because of its non-EU status.

The winding down of the group's Lloyd's business continued, with the disposal of the three remaining managed syndicates.

Mr Barclay said the outlook for the full year was positive, despite some reservations in the market over changes to the gilt repo market, which will open up the market for stock lending. "We believe the changes present an opportunity for the group to increase its presence."

Earnings per share fell 10 per cent to 21.4p (23.7p). The interim dividend is lifted to 9p (8p).

COMPANIES AND FINANCE

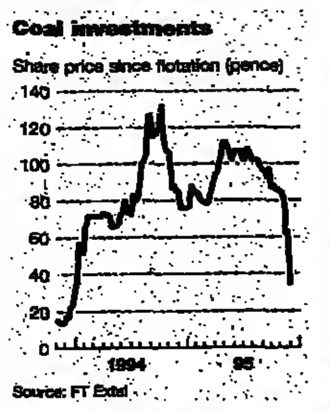
Coal Investments must raise cash next year

By David Lascelles, Resources Editor

Coal Investments, the company set up by Mr Malcolm Edwards, the former commercial director nf British Cnal, will need to make a rights issue early next year, the company ssid *yesterday*. The shares fell 38 per cent.

Respnnding to a Stock Exchange request for clarification, Coal Investments said further capital would be needed "to achieve its planned level of prodnctinn". The company was working witb its financial sdvisers and banks on tbe terms, whicb would be announced in the first quarter of 1996.

Coal Investments also said it had agreed new terms with its consortium of banks on a £30m credit facility. The banks, NatWest, UBS and Indosuez, had restricted the facility because of delays in achieving production targets, but these have been eased.



Mr David Davis, finance director, said the company was using half the facility "and would now be using more". He declined to say how much migbt bave to be raised through the rights issue.

Coal Investments shares fell 21p yesterday to 35p, having been at a high earlier this year of 121p.

The fall follows mounting concern over delays in developing coal mines, and the likely effect on profits.

In September, Mr Edwards warned that tha delays would affect this half year's results, due on December 18. In its last financial year, the company lost £18.3m. Analysts had been expecting a small profit this year.

There has also been concern that Coal Investments may bave engaged in excessive price-cutting in order to win long-term coal contracts with power generation companies.

Mr Davis denied there had been any additional problems. "Production is building up as we had planned," he said, and the price of the coal contracts was "internationally competitive".

Coal Investments failed to win the bidding for the majority of British Coal's assets, bnt it has acquired a portfolio of five mines, a number of which had to be reopened after *lengthy closure*.

BA delays details of big change in top management

By Michael Cassell, Business Correspondent

Wide-ranging cbanges to streamline top management of British Airways will not be announced for at least another 10 days, the airline said last night.

Mr Robert Ayling, who takes over as chief executive from Sir Colin Marshall in January, put his proposed changes to fellow directors yesterday during the monthly board meeting.

It had been thought that an announcement would follow *immediately* but the *airline* said there would be a delay until details were made known.

BA would not confirm whether the proposed changes had been agreed bnt *it is* believed Mr Ayling won backing for his proposals, leaving him to announce them after his return from a visit to Japan. The airline said "pressures on time" meant the announcement could not be made before then.

Mr Ayling, who wants his new team in place by the time he becomes chief executive, has made it clear he requires changes to structure as well as *personnel. He is* keen to see changes in reporting structure and improvements in internal communication for its 53,000 employees.

Hicking Pentecost advances overseas

By Motoko Rich

Strong overseas sales offset weak UK demand to belp Hicking Pentecost, the textile and indnstrial products group, raise interim pre-tax profits from £2.35m to £3.4m.

Turnover in the six months to September 30 increased to £39.3m, although weak domestic sales hampered the performance of the knitwear division. Last year turnover was £32.4m including £2.33m from discontinued activities.

Mr Tudor Davies, chief executive, said the results bad been helped by rationalisation programmes in recently acquired businesses.

Operating profits advanced 45 per cent from £2.5m to £3.6m. *Interest paid eased* slightly to £237,000 (£187,000) due to borrowings associated with the acquisition of Dewey Waters in December 1994.

The group said that witb gearing at 25 per cent, there was "substantial scope to develop the group througb acquisition".

The latest acquisition of Blue Mountain Industries, the US specialist industrial thread manufacturer, for $22.5m (£14.2m) In October, meant that industrial threads now represented more than 60 per cent of sales.

Earnings per sbare rose from 8.4p to 11.2p. The interim dividend is raised 17 per cent to 2.1p (1.8p).

Glaxo to sell Hazeline

Glaxo Wellcome is selling Hazeline, the Singapore-based consumer prodncts business, to Unilever for £95m cash.

Glaxo is disposing of noncore activities to concentrate on prescription pharmaceuticals. Unilever is in intense competition with Nestlé and Proctor and Gamble for new consumers in China and other *developing markets in Asia.*

Hazeline was part of Wellcome, acquired by Glaxo in March. It makes skin care products including moisturisers and cleansers. In 1994 it reported operating profits of £4.1m on sales of £32.5m. At July 31 net assets were £8.9m.

The purchase price is adjustable by reference to net assets at completion.

Agreed paper offer values US-based copper refiner at US$1.8bn

Broken Hill in bid for Magma

By Nikki Tait in Sydney

Broken Hill Proprietary, the Australian resources company, yesterday announced plans to expand its copper interests through a US$28-a-share offer for Magma Copper Company, the US-based integrated copper producer.

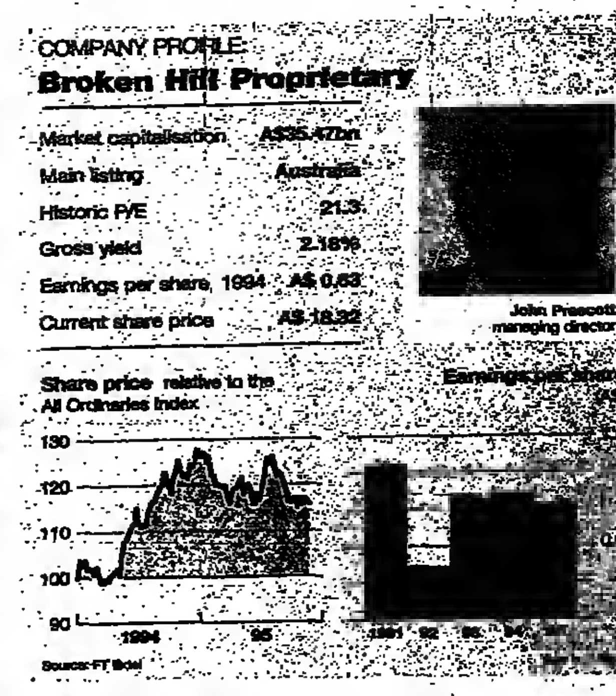
The bid values Magma, which operates one of the largest copper smelting and refining plants at San Manuel in Arizona, at US$1.8bn. However, BHP will also assume some Magma debt, taking its total *investment to about US$2.4bn.*

The deal has the backing of both Magma's management and Warburg Pincus Capital, Magma's largest shareholder with a 26 *per cent* stake, and will make BHP the world's second-biggest copper company after Chile's Codelco.

The two companies' *combined* production of contained copper is put at about 900,000 tonnes for 1996, or abont 10 per cent of total western copper production.

Yesterday, Mr John Prescott, BHP's chief execntive, indicated that by 1997 production could be "of the order of 1.1m tonnes".

"We think [the acquisition] brings three-dimensional advantages to BHP: it increases the scale of our copper business and also increases the breadth and depth of our copper business," he said.



BHP's existing copper interests include a 52 per cent stake in the Ok Tedi mine In Papua New Guinea, which has been the focus of environmental controversy recently, and a 57.5 per cent interest in the large Escondida project in Chile. It also has some undeveloped copper resources, mainly in South America.

But the Magma deal will take BHP into US copper production for the first time, giving it mines in Arizona and Nevada as well as Peru. It will also provide the Australian group with considerably more processing capacity.

BHP said that the San Manuel smelter would be able to process BHP copper concentrates, and could be expanded further if necessary.

With Magma, BHP will have proven and probable reserves in excess of 24m tonnes of copper, most of which it says can be extracted at costs of less than 50 cents/lb.

News of the deal initially drove down BHP shares. But, after a closer look, most analysts reacted favourably, saying that acquisition of low-cost smelting capacity was particularly valuable given the scale of the group's concentrate production. BHP shares closed 12 cents higher at A$18.44.

The market also took comfort from BHP's assurance that the deal should immediately add to earnings per share. It will be funded from "general financial resources" and, according to Mr Prescott, will increase gearing by 5 to 6 per cent.

However, the company has a fairly conservative balance sheet at present with gearing *standing at 31.3 per cent* at the June year end.

Richemont warns of slower growth

By Roderick Oram, Consumer Industries Editor

Richemont, the Switzerland-based owner of the Rothmans tobacco and Vendôme luxury goods businesses, warned yesterday its profits growth would probably slow in the second half because of the strength of the Swiss franc and continuing beavy Investment in pay television.

Reporting a 5.4 per cent rise in interim pre-tax profits to £375.2m, tbe group also announced a further shuffle of its tobacco interests involving the Rupert family of South Africa which controls Richemont.

Rembrandt Group of South Africa, a key Rupert company, will fold its tobacco business into Rothmans in exchange for a one-third stake in Rothmans. The two companies have common origins through the Ruperts.

The enlarged Rothmans will be the fourth-largest cigarette company in the world with operating profits of some £700m on sales of about £3bn. Rembrandt operates in South Africa and some other parts of southern Africa under the Rothmans brands whereas Rothmans is not directly involved.

"The two businesses are totally complementary and share the same top management. They must be able to get some synergies out of this deal," said Mr Nyren Scott-Malden, tobacco analyst at BZW in London.

The enlarged Rothmans will be the fourth-largest cigarette company in the world with operating profits of some £700m on sales of about £3bn

Analysts also believe the deal will bolster Richemont's cash flow as it invests heavily in tobacco, luxury goods and global media.

Such an infusion was one of the main benefits for Richemont of buying out the public minority in Rothmans earlier this year. Its main media vehicle is a 50 per cent stake in Network Holdings, which is the third-largest pay television company outside the US.

The latest deal values Rothmans at £3bn and Rembrandt at £1.5bn. The earlier offer to Rothmans minority shareholders implied a value of more than £4bn for Rothmans, bnt analysts believe Richemont has since drawn down cash from the cigarette maker.

Rothmans' operating profits edged ahead from £249.5m to £256.6m on a 4 per cent increase in cigarette volumes and a 5.2 per cent rise in turnover to £1.34bn. Europe showed the biggest jump in profits, up £29.6m to £99.6m.

Vendôme's operating profits rose 15.3 per cent to £113.3m on turnover up 15.6m to £699.5m. Jewellery sales were particularly strong but the strong Swiss franc kept margins under pressure.

Demand for leather goods was flat, although the company said new lines, such as a range of Cartier leather products in the second half, should help sales. Perfume sales declined 19 per cent, although the company said the Introduction of new products here also was expected to rekindle interest.

South-east Asia was Vendôme's strongest market, accounting for 40 per cent of sales, a rise of 10 per cent on last year.

The group's losses on media activities fell to £14.9m from £16.1m as Nethold continued to invest heavily in new operations.

Dalepak shares tumble 42p

By David Blackwell

Shares in Dalepak, the subject of a reverse takeover by Cavaghan & Gray this week, fell 42p to 94p yesterday.

The fall took the frozen food group's shares below the 105p placing price. At yesterday's close, the enlarged gronp, whicb yesterday changed its *name to Cavaghan & Gray*, has a market value of about £63m, compared with the £70m envisaged.

The shares soared from abnut 100p *to 136p* at the beginning of last month ou rumours of a takeover. However, *food* manufacturers have come under pressure on fears of a *supermarket price war*.

Mr Peter Holley, finance director of the enlarged group, said be was surprised by the fall, adding: "Quite frankly we are *disappointed, as anybody* would be on their first day."

The deal was approved by more than 90 per cent of Dalepak's sharebolders at an extraordinary meeting. Sharebolders in Cavagban, a private groun tbat makes cbilled foods, backed tbe deal overwbelmingly.

Under the deal, 41.2m new Dalepak shares were issued, taking the total to 67m. Cavagban sharebnlders received 141 new shares for each *Cavaghan share beld.*

Dalepak also raised £13m tbrough a placing and 31-fnr-25 open nffer nf up tn 14.3m shares at 105p. About 28 *per cent of the open offer* was taken up.

The issue was sponsored and underwritten by Robert Fleming. Brokers were BZW.

Ascot at £8.8m after further restructuring

By Geoff Dyer

Ascot Holdings, the property, hotels and pubs group which is looking to transform itself into an industrial holding company, *reported pre-tax profits up* from £2.1m to £8.8m in the six months to September 30

Ascot, formerly Control Securities, hit trouble after Mr Nazmu *Virani, its former* chairman and chief executive, was arrested in 1992 in connection with the collapse of BCCI. A financial restrocturing was *completed last year.*

The group plans to sell existing assets, including hotels in Spain and the UK, during the next three years and expand *through acquisition.*

Profits were affected by a £4.6m goodwill write-off and a £6m gain compared to book value from buying back a *tranche of Swiss Franc bonds.*

Operating profit on continuing businesses rose to £10.2m (£9.3m), on sales of £30m (£28.4m) with a further £3.9m *(£3.8m)* from discontinued operations. Disposals have rednced net debt to £65.1m, against £84.9m at the year-end.

Ascot has recruited Mr John *Foster, formerly of NatWest* Ventures, to head its corporate finance team. Mr Howard Dyer, chief executive, said this marked the start of the process *of looking for acquisitions*. The group wanted to buy underperforming industrial businesses and had been examining on average one transaction a day. After the *disposals*, Ascot would have £70m of cash.

Basic earnings per share were 31.5p (21.6p).

River Plate delivers blow to Jupiter bid

By Roger Taylor

Independent directors of River Plate & Geoeral Investment Trust have advised shareholders to reject the bid from Jupiter Asset Management.

The move *will come as* a blow to the Jnpiter bid, which was already under fire from several brokers as being unfair to some classes of share*holders*.

River Plate, a split capital trust with net assets of about £114m, is due to wind up at the end of October next year. Jupiter, whicb manages River Plate, is bidding with shares in a new investment trust, Jupiter Split Trust, or a cash alternative.

There are fnur independent directors nn tbe board of *River Plate, and three directors* with connections to Jupiter.

The independent directors are advising holders of income *shares and capital shares* to reject the Jupiter bid, while holders of zero dividend preference sbares are advised to accept the offer.

Scottish Radio continues expansion strategy

By Nigel Clark

Scottish Radio *Holdings intends* to continue its expansion strategy in the coming year. With a strong balance sheet, including cash of £8.18m, it is looking for further buys in local newspapers and *taking up* new *radio* licences.

However, Mr John Bowman, finance director, said that following its pur*chase of Morton Newspapers last* month it would not be seeking further opportunities immediately.

"There is no sense in rushing three courses and then finding you have *corporate indigestion*", be *said. But if* the chance came along to buy something which fitted Scottish Radio's requirements It would not be ignored.

The group reported pre-tax profits 22 per cent up at £5.11m (£4.2m) on turnover ahead 9 per cent to £17.2m in the year to September 30.

Profits included a £159,000 excep*tional credit from the sale of its 40 per* cent interest in Clyde Helicopters, net interest receivable and investment income of £587,000 (£274,000).

Audience surveys showed that Radios Clyde, Forth and Tay and Northsound were market leaders in their areas.

Earnings per share were 15p (12.6p) and a *proposed final dividend of 4.4p* makes a total of 6.5p (5.4p).

Raw material costs cut RPC

By Thierry Meyer

RPC Group, the rigid plastic packaging maker, has been hit by raw material price increases totalling £14m nn an annualised basis.

The company gave this estimate alongside interim results which showed an 11 per cent fall in pre-tax profits, from £4.4m to £3.9m, despite a 32 per ceut jump in sales to £48.7m.

Margins were squeezed from 12.1 to 9.1 per cent, as nperating profits fell 5 per cent tn £4.41m in the six months to September 30.

Mr Chris Sworn, finance director, said raw material costs had jumped by 86 per cent compared with last time. "We have now passed it on to our customers and raw material prices are stabilising."

The company's confidence in a better second half was reflected in a 9 per cent increase in the interim dividend to 1.2p (1.1p). Earnings per share fell from 5.3p to 4.6p.

Analysts' expectations for full-year pre-tax profits range from £8.7m to £9.1m, against £8.03m last year.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ascot	6 mths to Sept 30	33.9	(32.2)	8.8♥	(2.1♠)	31.5†	(21.6)	nil	-	nil	-	nil
Cater Allen	6 mths to Oct 31	-	(-)	9.44	(10.1)	21.4†	(23.7)	9	Jan 3	5	-	28
Chrysalis	Yr to Aug 31	74.3	(70)	1.02♥	(3.39L♠)	2.85	(11.06L)	2.75	Apr 9	nil	nil	nil
Goldsborough	Yr to Oct 1	51.1	(41.7)	6.1§	(5.26)	12.3†	(13)	2.7	Feb 26	2.3	3.9	2.3
Hicking Pentecost	6 mths to Sept 30	39.3	(32.4)	3.4	(2.35♠)	11.2†	(8.4)	2.1	Jan 4	1.8	-	5.5
McCarthy & Stone	Yr to Aug 31 ★	67.3	(71.2)	9.2	(4.7♥)	7.2†	(4.7)	2	-	nil	2	nil
New London Capital	6 mths to Sept 30	1.96□	(1.67□)	1.59	(1.17)	1.78	(1.3)	1	Feb 23	0.5	-	3.15
Reed Executive	9 mths to Oct 1	107.8	(83.6)	6.17	(4.69)	7.7	(6)	-	-	-	-	2
Toy Options	Yr to Aug 31 ♦	22.6	(12.9)	1.69	(0.69)	7.16	(3.61)	1.73	Jan 26	-	1.73	-
Wolv & Dudley	Yr to Oct 1	237.3	(231.4)	43.5♥	(38.3♥)	45.8	(39)	9.9	Jan 31	8.8	15.3	13.9

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Henderson Strata	Yr to Oct 31	350.8	(284)	0.378	(0.167)	2.28	(1)	1.4	Jan 29	0.5	1.4	0.5
Jupiter European	Yr to Aug 31	117.59	(101.6)	1.24	(0.44)	2.7	(2.35)	1.4	Dec 29	-	2.1	1.95☆

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♦Pro forma. ★ Comparatives restated. §USM stock. □Gross revenue. ☆Includes special of 0.25p.

NEWS DIGEST

Toy Options at £1.7m in slow market

Against a background nf generally sluggish demand *witbin the industry*, Toy Options Group, the toy distributor, lifted pro-forma pre-tax profits by £1m to £1.69m for the year to August 31.

A final dividend of 1.73p is declared, in line with the flotation forecast in June. Earnings per share came to 7.16p (3.61p).

Turnover rose 75 per cent to *£22.6m while for the 17 weeks* since tts incorporation sales amounted to £6.9m, producing pre-tax profits of £524,000.

Significant new product ranges for sale in 1996 and 1997 included the main toy ranges from *The Toy Story* – a Disney film to be released in the UK next Easter, plus toys from animated TV series such as *Highlander and Dragon Flyz.*

New London Capital

Improved return ou investments and a reduction in expenses led to a 36 per cent *interim pre-tax profit rise* at New Londoo Capital, which provides underwriting capacity at Lloyd's of Loodon.

Revenue rose from £1.67m to *£1.96m, and expenses fell from* £500,000 to £381,000. The pre-tax figure rose from £1.17m to £1.59m for the six months to September 30.

The interim dividend is 1p (0.5p), payshle from earnings of 1.78p (1.3p). Net asset value rose from 88.7p to 90.1p.

Trifast

Trifast, the industrial fasteners company, lifted pre-tax profits for the six months to September *30 by 40 per cent from* £1.94m to £2.72m. Turnover rose 24 per cent to £23.5m.

Exports jumped 93 per cent to £2.7m and accounted for 11.5 per cent of sales.

Earnings per share increased to 10.44p (7.32p) and the interim dividend is stepped up to 2.9p (2.35p).

ML expands

A turnround to profit in ML Holdings' aircraft and cargo handling division more than offset a downturn in aerospace and left interim pre-tax profits at £2.67m, against £2.33m.

Profits for the six months to September 30 were also helped by an increase in the electronic component sector. Turnover expanded 22 per cent to £56.6m.

Earnings per share were 1.3p (1.2p) while the interim dividend is 0.35p (0.3p).

Prestwick

Delays in installing equipment, together with costs associated with recruitment and staff training, is leaving Prestwick Hnldings, the printed circuit board maker, behind budget, Mr Archie Coulson, chairman, *told the annual meeting.*

With first-balf results not expected to meet expectations, *the shares fell 4p to 35p.*

Mr Coulson, however, said the company traditionally performed better in the second half. In addition, the order book *was at record levels*, while the expansion programme was well advanced.

Novo settlement

Novo Group, the distribution and film entertainment company, has settled its litigation with BET, the support services company, concerning the acquisition of Walport Group from BET in September 1992.

BET has agreed to pay Novo £850,000 plus costs, in full and *final settlement*. Walport will remain part of Novo.

Novo shares rose 3p to 34p while BET put on 1p to 127p.

Westminster Health

Westminster Health Care, the nursing home and medical services group, has bought Highbank Hospital Group for £6.46m.

An extra £1.2m will be due if targets are met. Highbank owns and operates two brain injury rehabilitation facilities at Bury, Lancashire, with a total of 134 beds.

Operating profits were £1m in the year to October 31 1994, struck on turnover of £3.4m.

Merchant Retail

The cost of withdrawing from supermarket retailing pushed *Merchant Retail Group* £3.33m into the red in the half year to September 30. There were profits of £243,000 last time.

Exceptional losses of £2.36m related to the disposal of Normans, which incurred losses of £162,000 in the period (£958,000 prnfits). The group now has two core husinesses: Joplings, with seven department stores in north-east England, and the Perfnme Shop, a fragrance retailer with 26 outlets.

Turnover fell from £72.3m to £55.6m. There were losses per share of 4.61p (0.18p earnings).

Croda slips

A sharp decline in its coatings business left Croda's third quarter pre-tax profits down by 12 per cent. The speciality chemicals company blamed weakness in demand as customers destocked.

The shares fell 17p to 316p.

Mr Michael Valentine, chair*man, said the fourth quarter* had opened more encouragingly.

Hampson in loss

Hampson Industries slid into loss during the first half as it absorbed the costs of disposing of Its PB Systems bome improvement company.

The sale resulted in a £993,000 provision and a £2.17m goodwill charge.

In the six months to September 30, the *pre-tax deficit* was £1.47m (£2.57m profits). Losses per share were 3.18p (2.3p earnings) and the dividend is held at 0.55p. Turnover was £47.8m (£46.2m).

IBC purchase

IBC Group is paying up to £3.1m cash for JRL Newsletters, which trades as Monitor Press and publishes 24 titles on legal and regulatory topics.

Its publtcations include Health & Safety Monitor, Pensions Today and Intellectual Property Decisions.

Kwik-Fit expands

Kwik-Fit Holdings is paying £12m for Tyre Sales (Birmingham), a tyre and automotive specialist repairer.

Tyre Sales operates from 43 centres and a 40,000 sq ft wholesale warehouse. For the year to November 30 1994, it had £21m turnover and pre-tax profit of £200,000. *Net assets* at that date amounted to £2.2m.

Horace Clarkson

Horace Clarkson, the shipbroking group, is selling Horace Holman, its insurance broking operation, to its management for £1.

Horace Holman, which employs 160 people, has incurred losses of £5.6m over the past three years. The purchaser, Camomile Holdings, has also agreed to sub-underlease two floors of the group's London office and to lease its Surrey offices which will provide Horace with an initial aggregate rent of £504,970.

Blue Boar

Blue Boar Motorways, which claims to be the UK's largest independent motorway service area operator, has been acquired In a £25m management and employee buy-out.

Blue Boar employs 560 staff and plans to introduce an employee share ownership scheme. Funding was met by £6.7m of equity from 31, senior debt from Midland Bank Acquisition Finance and subordinated debt from NatWest Mezzanine Finance.

Dutch buy for H&C

Harrisons & Crosfield has acquired Petfood Service, the Netherlands-based maker of dry pet food, for Fl 15.3m (£6.2m). In 1994 it made operating profits of FL 2.1m on sales of Fl 45.2m.

Border move

Mr Melvyn Bragg is stepping down as chairman of Border Television after six years. He will leave the post at Easter, but remain as a non-executive director. The company said he was resigning because of pressure of work.

هكذا من الاصل

COMMODITIES AND AGRICULTURE

MARKET REPORT

Copper tightness dominates

Copper continued to dominate at the London Metal Exchange this week and other base metals followed its overall decline. Nearby tightness had showed some sign of easing as the cash premiums over forward positions narrowed – but by yesterday's close the "backwardation" (as it is known in the trade) against the three months delivery position was back to the exceptionally high $235.50-a-tonne level at which it ended last week.

The big backwardation continued to attract metal into LME warehouses, but at a relatively slow pace. LME stocks rises of 1,150 tonnes and 4,075 tonnes respectively were announced on Tuesday and yesterday, taking the total to 221,875 tonnes. Traders have seen the sluggish rise in stocks as an indication that the tightness is "fundamental" rather than technical and so is likely to dissipate gradually.

LME WAREHOUSE STOCKS
(As at Tuesday's close)
tonnes

Aluminium	+2,450	to 566,700
Aluminium alloy	–3,620	to 56,580
Copper	+4,075	to 221,875
Lead	–11,800	to 153,825
Nickel	+342	to 47,400
Zinc	–1,925	to 683,550
Tin	–270	to 12,820

Copper values rallied yesterday, with the cash position gaining $44 at $2,959.50 a tonne, and the three months $16 at $2,724, both down $28 on the week. Traders told the Reuters news agency that at one stage, after an LME stocks rise was announced, the three months price looked likely to break below $2,700 a tonne. "The market looked vulnerable again," said one, "but as we have seen recently, cash buying came to the rescue."

Aluminium followed copper's lead througbont. The three months price recovered $5 yesterday but was still $19 down on the week. Early in the day it bad baulked at the $1,700 hurdle, where it encountered strong resistance.

Other losers on the week were lead, down $6 at $728.50 a tonne for three months delivery, and nickel, down $502.50 at $8,245. Nearby tightness remained a feature in the lead market, bowever, with the cash/three months backwardation remaining close to $30.

Nickel's recent weakness is linked to anticipation of a change in the fundamental supply/demand situation when some large production projects come on stream. This has been evident in a slowing in the rate of reduction of LME warehouse stocks and was underlined yesterday when the total showed a small rise – only the third since January.

At the London Bullion Market the gold price eased yesterday as more lending came into the market to correct the imbalance that had led to the development of an unprecedented backwardation in mid-week. The spot price, which peaked on Wednesday $390.40 a troy ounce, closed at $386.55 an ounce, down $1.15 on the day but still $2.95 up on the week.

The market remained jittery, however, traders told Reuters. They estimated that np to 1m ounces of metal had been made available to the market since it first went into backwardation on Tuesday. That was sufficient to restore the normal "contango" situation (where forward prices carry premiums reflecting financing and carrying costs), analysts said, but did not guarantee that the market would not tighten again later this month ahead of an expected resurgence of central bank lending in the new year.

London Commodity Exchange robusta coffee prices came under pressure in the second half of the week after producer representatives meeting in Bali failed to come up with concrete decisions on maintaining their export retention scheme, which was already viewed with some scepticism in the market. The January delivery position plunged $97 on Thursday and another $64 yesterday to end $116 down on the week at $2,074 a tonne.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1995 High	1995 Low
Gold per troy oz.	$386.55	+2.95	$379.20	$394	$373
Silver per troy oz	340.00p	+8.75	315.75p	375.50p	267.90p
Aluminium 99.7% (cash)	$1667.5	-22.5	$1919.50	$2149.50	$1609.50
Copper Grade A (cash)	$2959.5	-28	$2984.00	$3216.00	$2702.50
Lead (cash)	$757.5	-8.5	$653.00	$766.00	$536.50
Nickel (cash)	$8116	-520	$8890	$10160	$6947.5
Zinc SHG (cash)	$1026.5	-7.5	$1147.0	$1208.5	$958.0
Tin (cash)	$6230.0	-165	$6150.0	$7175.0	$5095.0
Cocoa Futures Dec	$898	+23	$938	$1050	$830
Coffee Futures Jan	$2074		$2836	$3297	$2074
Sugar (LDP Raw)	$306.9	+3.1	$349.1	$378.1	$298.2
Barley Futures Jan	$116.65		$104.25	$120.00	$102.00
Wheat Futures Jan	$126.90	-0.30	$106.90	$128.00	$111.00
Cotton Outlook A Index	88.85c	-0.35	83.20c	116.80c	85.05c
Wool (64s Super)	420p	-24	464p	532p	420p
Oil (Brent Blend)	$17.14z	+0.25	$18.545z	$19.01	$15.05

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. z Jan.

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

Precious Metals continued

GRAINS AND OIL SEEDS

SOFTS

MEAT AND LIVESTOCK

ENERGY

PRECIOUS METALS

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

FREIGHT (BIFFEX) LCE ($10/index point)

Dec	1815	+60	1610	1580	12	244
Jan	1570	+80	1570	1519	179	1,430
Apr	1553	+49	1553	1510	88	1,346
Jul	1390	+53	1390	1355	21	605
Oct	1485	+55	1475	1450	4	153
Jan	1470	+55	-	-	-	21
Total					428	3,798

	Close	Prev
BFI	1834	1844

FUTURES DATA
All futures data supplied by CMS.

Spices
Though the activity in the pepper market slightly improved the overall picture did not change too much this week, reports Man Producten. Prices of black pepper stabilised or rose marginally but trading remained slow in general. White pepper prices tended somewhat easier again, since industrial demand in Europe completely failed. Black pepper FAQ was offered at US$2,250 a tonne and white pepper FAQ at $3,600 spot/immediate delivery. Non-availability of good Nigerian ginger and high price levels of Indian ginger increased the demand for Chinese ginger, stocks of which are now exhausted. The new crop in China will be available for January shipment. Cochin ginger was n offer at $2,100 a tonne CI; Chinese sliced spot at $1,125 and shipment at $1,000; Chinese whole peeled spot at $1,200 and shipment at $1,150.

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	126.15	–0.75	126.50	125.20	2,627	18,000
Mar	129.15	–0.50	129.50	128.15	748	5,581
May	131.15	–0.40	131.50	130.50	94	1,462
Jul	132.65	–0.40	132.25	132.25	6	677
Sep	134.05	–0.05	-	-	9	756
Nov	133.05	+0.10	133.00	133.00	36	400
Total					3,630	27,488

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

REUTERS (Base: 18/9/31=100)

Dec 1	Nov 30	month ago	year ago
2151.4	2155.0	2123.6	2157.8

CRB Futures (Base: 1967=100)

Nov 30	Nov 29	month ago	year ago
241.84	241.61		

GSCI Spot (Base: 1970=100)

Nov 30	Nov 29	month ago	year ago
187.93	188.45	183.12	176.17

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	95.7100	+0.130	8.15	8.35	8.54
Austria		6.500	11/05	99.4500	+0.330	6.58	6.71	6.98
Belgium		6.500	03/05	98.8200	+0.270	6.67	6.76	7.08
Canada *		8.750	12/05	110.8800	–0.380	7.30	7.34	7.96
Denmark		7.000	12/04	98.0800	-	7.30	7.42	7.92
France	BTAN	7.750	04/00	106.9000	-	6.11	6.04	6.04
	OAT	7.750	10/05	105.7400	–0.080	6.93	6.90	7.53
Germany Bund		6.500	10/05	102.7800	+0.300	6.11	6.25	6.61
Ireland		6.250	10/04	92.4000	+0.250	7.44	7.62	8.25
Italy		10.500	09/05	98.5900	+0.840	11.09†	11.25	12.03
Japan	No 129	6.400	03/00	120.5040	–0.090	1.34	1.28	1.58
	No 174	4.600	09/04	113.7320	–0.080	2.67	2.66	2.83
Netherlands		6.750	11/05	104.6800	+0.420	6.11	6.28	6.59
Portugal		11.875	02/05	108.7100	-	10.35	10.41	11.30
Spain		10.150	01/06	98.5800	+0.280	10.13	10.29	10.98
Sweden		6.000	02/05	83.2090	+0.221	8.73	8.82	9.24
UK Gilts		8.000	12/00	104-24	+6/32	6.86	7.03	7.65
		8.500	12/05	106-26	+6/32	7.52	7.63	8.21
		9.000	10/08	110-22	+7/32	7.68	7.77	8.31
US Treasury *		5.875	11/05	101-05	+10/32	5.72	5.92	6.05
		5.875	08/25	110-10	+11/32	6.12	6.25	6.37
ECU (French Govt)		7.500	04/05	102.2800	+0.210	7.15	7.15	7.75

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

BOND FUTURES AND OPTIONS

US TREASURY BOND FUTURES (CBT)

	Open	Latest	Change
Dec	119-15	119-25	+0-12
Mar	119-04	119-10	+0-11
Jun	118-26	119-00	+0-09

FT-ACTUARIES FIXED INTEREST INDICES

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

UK GILTS PRICES

Other Fixed Interest

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Summit of French-speaking countries in Cotonou (until December 4). Parliamentary elections in Taiwan.

TOMORROW: Eurpean Union (EU) and US hold summit meeting in Madrid.

MONDAY: UK official reserves (November). Share ownership – 95 a report on the share register survey end 1994. Overseas earnings from royalties and services – 1994 revised. National food survey – household food consumption (third quarter). M0 figures (November-provisional). US personal income (October); single family home sales (October). EU foreign ministers meeting in Brussels. Fifth meeting of foreign ministers of Treaty of Amazon Co-operation in Lima. Western European Union parliamentary assembly in Paris. Minimum wage rises in Mexico.

TUESDAY: Advance energy statistics (November). Housing starts and completions (October). Nato foreign ministers meet in Brussels. EU reflection group meeting in Brussels to prepare for the 1996 inter-governmental conference (until December 6). EU social affairs ministers meet in Brussels. The Banking Ombudsman's annual report.

WEDNESDAY: Cyclical indicators of the UK economy (Oct 2 estimate). Overseas travel and tourism (September). Index of production (October). Training statistics: 1995. US leading indicators (October); factory orders (October). Mr John Major, prime minister, meets Mr Lamberto Dini, Italy's prime minister, in Florence.

THURSDAY: Labour market trends. CBI survey of distributive trends (November). US consumer credit (October). Summit of Franco-German leaders in Baden-Baden ahead of the European Council in Madrid on December 15. Organisation for Security and Co-operation in Europe (OSCE) holds 52-nation conference of foreign ministers in Budapest (until December 8). EU conference on drug problems in Brussels.

FRIDAY: Construction output (third quarter). US unemployment data (November). Tankan survey published. International conference on implementing the Bosnian peace agreement in London.

FINANCIAL TIMES

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Saturday December 2 1995

Hopes for more to come

In his third Budget, Mr Kenneth Clarke knew he had to deliver tax cuts. But be also knew the pnblic sector borrowing requirement this year was forecast to be £7¼bn higher than expected a year ago. So there had to be fiscal prudence, as well. In the event, the chancellor of the exchequer satisfied both demands by fully satisfying neither with tax cuts for 1996-97 of £3.1bn, spending cuts of £3.3bn and the decline in the public sector borrowing requirement shifted back a year. His party expects more next November. Will it get what it wants?

The entire debate is largely misconceived. One aspect of this is the way attention is focused on income tax, even though it is responsible for only a quarter of government receipts.

Another is exaggeration of the "cuts". The ratio of total government receipts to gross domestic product is forecast to fall by only a quarter of a percentage point, from 38¾ per cent in 1995-96 to 38½ per cent next year. This represents a true tax cnt of only £1.9bn, the remaining £1.2bn merely being the return of the automatic increase in the tax burden with economic growth.

The overhang of tax increases imposed earlier in the parliament must also be remembered. The ratio of general government receipts to GDP is still expected to rise from 36 per cent in 1993-94 to 37¾ per cent in 1996-97, a net increase of £13.2bn in 1996 prices, equivalent to nearly 7p in tbe pound on the basic rate of income tax. It is hardly surprising that the government is so unpopular.

In judging prospects for next year, mnch attention has been devoted to the optimism of the Treasury's forecast for GDP next year. The 3 per cent rate of economic growth is indeed above the current consensus.

Mid-cycle pause

The rationale is that the slowdown in growth in the course of this year is just part of a worldwide mid-cycle pause. The US economy already recovered its growtb momentum in the third quarter of this year. Long-term interest rates have regained virtually all the ground they lost last year. Moreover, the Federal Reserve lowered short-term interest rates by a quarter of a percentage point in July; the Bundesbank cut the discount rate to 3½ per cent in August; and the Bank of Japan cut its rate to a record low of ½ per cent in September.

Inflation, forecast at 2½ per cent in the Group of Seven leading industrial countries, creates no obstacle to aggressive monetary easing. From the point of view of the UK, it is particularly helpful that its principal European neighbours are in the same boat, with low inflation and a slowdown.

There must be a good chance that early reductions in interest rates on the continent, led by the Bundesbank, would permit lower rates in the UK as well, without undermining the pound'a fragile stability. Since sterling reached an all-time low last month on a trade-weighted basis, this matters.

Even if economic growth were to be below 3 per cent next year, overall inflation (as measured by tha GDP deflator) could well exceed the forecast of 2¾ per cent. If so, nominal GDP would still grow fast enough to support what the Institute for Fiscal Studies considers cautious Treasury revenue forecasts for next year.

Buoyancy decline

Here, admittedly, is a puzzle. General government receipts are expected to be £6.8bn lower this year than was expected a year ago. This is partly because the economy is expected to grow only 2¼ per cent in 1995-96, down from the 3 per cent expected a year ago, and overall inflation is expected to be 2¾ per cent, down from the 3¼ per cent forecast last year. But it is also because of an inexplicable decline in tax buoyancy, notably in VAT receipts.

On balance, the forecasts for revenue do not seem unreasonable, with over-optimism on some points offset by caution on others. Targets for public spending, however, are optimistic. The control total (which excludes cyclical social security) is expected to fall by 0.9 per cent in real terms next year. Even spending on bealth is expected to stand still. Perhaps the government can hold the line on spending in this way for another year. But it is bound to prove difficult.

Even if all were to go as planned, the PSBR would be 3 per cent of GDP in 1996-97 and 2 per cent in 1997-97. The chancellor could then offer another Budget much like this year's. But much more than that would involve jettisoning plans to balance the budget in the longer term.

That may be Mr Major's secret plan: to hope things turn out as well as forecast, pocket half the contingency reserve once again, and allow the PSBR to float up to 3 per cent of GDP for 1997-98. That would give a desperate Tory prime minister £10bn to play with, enough to deliver a 20p basic rate after the general election. Would the British public fall for such a ruse again? Would Mr Clarke fall for it even once?

The celebrated Mittelstand companies will thrive only if Germans become more entrepreneurial, writes **Andrew Fisher**

Cost of being safety-conscious

Germans are baing exhorted to take risks. As big companies shed jobs and mova more prodnction abroad, political and business attention is ahifting to small and medium-sized companies to see if they are dynamic enough to help maintain employment and prosperity.

Many of Germany's Mittelstand (medium-sizad) companies are world class. The best are highly export-oriented and technologically alert. But concern is growing about their financial strength and capacity to innovate. Germany's lack of a thriving venture capital scene to nurture new high-tech companies is also cause for worry.

Last month, Chancellor Helmut Kohl added his voice to those calling on Germans to become less security-minded and more entrepreneurial. "Kohl has a sense for what is happening," says Mr Gunter Dunkel, head of corporate banking at Bayerische Hypotheken- und Wechsel-Bank. "The problem has developed to the level where it is approaching a crisis."

Other bankers agree. Ways of encouraging financing for start-np companies, innovation and development capital will be discussed on Wednesday at one of Mr Kohl's regular meetings with businessmen, union officials and ministers. "This shows how seriously the subject is regarded," says Mr Carl-Ludwig von Boehm-Bezing, a director of Deutsche Bank.

Even if the government did all that bankers, husinessmen and economists desire, namely cut corporation and other taxes (which take more than 60 per cent of profits) and provide incentives to equity investment, the problem would remain tough. Efforts need to be directed in three ways:

- Bringing the Mittelstand up to date, improving its low equity base – equity averages only 17.5 per cent of capital in German industry – and improving conditions for expansion. Mittelstand companies – generally with up to 500 employees and sales rising to DM100m ($69m) – account for half of German industrial turnover and two-thirds of jobs.

But German companies' average net return on sales is a tiny 1.5 per cent. While there are plenty of state-supported soft loan programmes, direct equity investment is less forthcoming. Also, banks are becoming more rigorous about corporate lending.

- Generating more venture capital for technologically advanced new companies and encouraging more peopla to start businesses. There are only a few venture capital operations in Germany.
- Making industry more innovative and removing bureaucratic and fiscal obstacles to investment. Companies cite lack of equity capital and bureancratic hurdles – which cost industry an estimated DM58bn a year and add to Germany's cost problems – as big disincentives to investing in new products and processes. Germany's share of world trade in high-tech areas, such as microelectronics and biotechnology, is relatively low at 14 per cent against Japan's 18 per cent and the US's 28 per cent, although it holds up well in overall manufacturing.

Achieving any of these objectives will be hard, but an attempt should be made to tackle them together. Germany's postwar prosperity, with its generous social welfare and pension benefits, tight regulations and high labour costs, tends to stifle new husiness activity.

"Risk-averse attitudes prevail throughout the German economy and society," says Ms Marlies Hummal, an economist at the Ifo economic research institute. "Life can be very comfortable in this warm economic atmosphere." She and others believe that Germany's intractable unemployment situation, with more than 3.5m people (9.2 per cent of the labour force) out of work, will prompt more people to start their own businesses.

But failure is also frowned upon, she notes. "In the US, it is rather easy to start a business. If you don't succeed, OK, it's had luck and you start again. Here, the social point of view is different and people don't respect those who have failed in business. It's psychological."

Germany's fiscal and welfare system is also discouraging. "You have a social safety net that allows you to survive with decency and you are taxed heavily if you succeed," says Ms Hummel.

Venture capital experts echo this, pointing out the disincentive effect of some of the world's highest taxes on people wanting to build businesses and earn higb rewards. "There is no culture of the young, successful start-up entrepreneur," says Mr Helmut Schühsler of Techno Venture Management, a Munich-based venture capital operation.

This lack of role models could be rectified if new businesses had better access to start-up and development capital. But Germany's financial markets must also expand so that companies can be more easily floated to the public when they have reached a certain size, enabling investors to take profits.

The drive to set up a European version (Easdaq) of the US Nasdaq securities market to improve exit possibilities for investors in small, technologically oriented companies is generally supported in Germany, although some bankers are sceptical about wbether it will meet domestic needs.

Whatever improvements are made, Germany's small and medium-sized companies cannot make up for all the jobs lost at bigger companies. The main reason these concerns go outside Germany is to be closer to foreign markets at a time of increasing globalisation of business, says Ms Hummel.

"Only a very small part of this trend is due to cost pressures," she says. Since 1990, notes Mr Boehm-Bezing, German companies have invested an average of DM27bn a year outside their own country, with only DM5bn flowing in from foreign investors. But Ms Hummel still thinks it vital that the German cost burden be reduced.

Moreover, says Ms Barbara Böttcher, an economist at Deutsche Bank Research, Mittelstand companies cannot escape German costs so easily by moving abroad, although they can shift some production to cheaper countries, especially in eastern Europe. They also benefit less than big companies from state-funded research and development.

Ms. Böttcher feels Germany is heading for an industrial crisis unless innovation and job creation are encouraged: "The German economy has remained at a high level, but competition has increased."

The Mittelstand itself is not without fault. If German investors are reluctant to buy shares, many companies are unwilling to accept equity stakes because of the loss of independence. "Lots of Mittelstand companies don't want to reveal their plans and strategy," says Mr Wolfgang Bassermann, loan executive at Bayerische Vereinsbank.

There are financial constraints too. "I see companies wanting to expand, but every new step means more tax," says Mr Frank Stangenberg-Haverkamp, head of corporate finance at IKB Deutsche Industriebank, which specialises in Mittelstand financing. "That's one reason there are relatively few initial public offerings in Germany."

A more fluid pension system, with less reliance on the state and more on private provision, would also help develop the German financial scene. Pension funds on Anglo-Saxon lines would channel a high volume of funds into equities and thus bolster securities markets and help finance small companies.

Such developments are some way off. With all the problems facing companies, says Mr Stangenberg-Haverkamp, "it's astonishing there is still a readiness to innovate and take risks". Politicians now have to try to ensure that risk-taking becomes more the norm and less the exception.

Reluctant master craftsmen

Young Germans are less keen than ever to take over engineering, building, textile, food and other husinesses run hy their parents. As a result, many Handwerker (craft and trades) companies are faced with closure.

In a speech spelling out the need for Germans to become more risk-conscious, Chancellor Helmut Kohl mentioned a study of this problem hy the Handwerkskammer (craft chamber) of Munich and Upper Bavaria. It found that 47 per cent of company owners did not expect to be able to hand over to an heir.

The main reason given by the younger generation for sbying away from business responsibilities was the fact that their education bad given them other interests. The next most common argument was an unwillingness to become self-employed.

Of the companies with no handover possibilities, about half will close, says Mr Lothar Semper, the Handwerkskammer's general manager. Since enough businesses are being started to make np the deficit, the problem is not desperate. But as Mr Kohl pointed ont, it sbowed the extent to which Germans bad become security-conscious rather than risk-minded: "Our society must put a greater value on independence."

Mr Walter Weisz, a consultant to family craft firms, understands the problem. "If the father is 60 and the son around 30, the son has seen what it is like for 25 years. His mother has had hardly any time for him and his father works all through the weekend. The son may also be a Meister [master craftsman], but he doesn't want to work 60 hours a week in his own firm."

It is not just the long hours that deter. High taxes, financing problems and an unwieldy bureaucracy do not make life easy either.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be availahle for letters written in the main international languages.

Compensation to farmers must end

From Mr Terry Wynn MEP.

Sir, Caroline Southey reports on the "Fischler" plans to reform the Common Agricultural Policy further ("Changes down on the farm", November 28). It is quite pbanomenal that we are currently spending Ecu 26bn (some £20bn) on compensatory payments to around 8m farmers in the EU. That is £20bn in compensation simply because the price of their cereals, milk or whatever has gone down.

Moreover, it transpires that nearly 40 per cent of those farmers have another source of earnings and only about 2.2m are full-time farmers.

I, like various commentators on the Fischler paper, am also surprised and pleased by the tone. However, I know Commissioner Fischler has rejected the idea of more radical reform as being too costly – probably precisely because the compensatory payments would cost too much.

I am sure I will be shot at from all directions but I respectfully submit that compensation to farmers cannot last forever. It has to be partial and it has to be time-limited. No wonder the farmers are not complaining too much at the thought of further "reforms". They are looking forward to more compensation.

Terry Wynn,
chairman, land use and food policy inter-group,
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Mae 3277,
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Brussels

Software's only route if users are to benefit

From Mr Malcolm Lewis-Jones.

Sir, I was very interested to read your leader regarding computer software ("No revolution for software", November 29) and, specifically your comments on Sun Java. As you say, such universal compatibility is nothing new. As you also say, economics wins over technology and if universal compatibility was what the market wanted, that is what the market would get.

This rather sterile debate is mistaking form for function. The Internet is about distribution, not product. The point of business software is to enable users to increase productivity and profitability, in order to ensure the continued success of the enterprise. If software fails in this, it can be universally compatible, downloaded daily or launched as a big cultural event, but it will still be pointless.

Only by adding utility and simplifying usage will software producers grant greater benefits to users. The barriers to IT in business lie not in communications, but in user acceptance and response to organisational change. Only when users themselves build enterprise-wide IT systems will they "own" them and therefore use them. Then the business will drive the IT department and not vice versa.

Malcolm Lewis-Jones,
managing director,
USoft UK,
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70 London Road,
Twickenham, Middx, UK

Diesel engines objectionable at the very least

From Mr Peter Wood.

Sir, I thought I would never see your motoring correspondent write the words diesel and particulates in the same paragraph ("A reward for cleanliness", November 25/26).

He says that you see diesel cars smoking only when driven bard. This is not an infrequent occurrence due to their relative low power, as any driver wbo has been following a diesel when overtaking or climbing a hill will confirm.

And why does he single out delivery vans while seemingly absolving diesel cars when they are often fitted with identical engines?

Diesel smoke is at the very least objectionable, and particulates are increasingly under suspicion as being harmful to bealth, a fact not mentioned in the article

Stewart Marshall has long held a prejudice in favour of diesels. He should present a more balanced view.

Peter Wood,
Little Cracalt,
Natland,
Kendal,
Cumbria LA9 7QS, UK

Key in to all the family

From Mr Frank Haigh.

Sir, Tim Jackson's report "Ethics and your pbone book" (November 27) does not mention that CD-Rom phone disks are a boon to those doing genealogical research. An acquaintance asked me to find others in Canada with the name Parcher. Using the Canada-Phone Rom-Disk it took me less than 45 seconds to display all those of that name with a phone in Canada and perhaps another 15 seconds to print them out, together with addresses and postal codes. There were only about 13 as I recall. Not so useful if you are a Smith or a Jones, or your name is John MacDonald and you hail from Cape Breton, Nova Scotia.

Frank Haigh,
19 West Park Drive,
Ottawa, Ont. K1B 3G6
Canada

Stamp on it

From Mr Peter Verstage.

Sir, If tha UK chancellor, Kenneth Clarke, bad slapped a tax of £10 per thousand on envelopes, there would have been an uproar. All serious minded people would see it as being blatantly unfair to one particular industry. Yet the effect of the 1p increase in postal charges announced for the spring will be exactly the same.

May I, on behalf of the envelope industry, urge the government to reconsider.

Peter Verstage,
managing director,
Mekvale Envelopes,
Grange Mills, Weir Road,
London SW12 0LX, UK

Man in the News · Steve Jobs

Patience of Jobs pays off

Apple's co-founder has made a remarkable comeback, says **Louise Kehoe**

Steve Jobs, the co-founder of Appla Computer and the Silicon Valley wunderkind of the 1970s, this week pulled off one of tbe most remarkable comebacks seen in an industry notorious for sudden changes in fortune.

He left Apple in 1985 after a rancorous falling-out with John Sculley, the former PepsiCo executive be had hired to bring professional management to the company. Ever since, he has struggled to find a new role in the high-tech industry.

But on Thursday he became the first billionaire of the 1990s in "Siliwood" with the spectacular stock market debut of Pixar Animation Studios, his computer animation company which comhines computer technology and Hollywood talent. Pixar has captured the imaginations of investors after the success of *Toy Story*. Disney's new hit produced by Pixar and the first feature film created entirely by computer animation.

From an offer price of $22 (£14.47) the new stock jumped to $47 on Wednesday, its first day of trading, settling back to $41½ in early trading yesterday. The sale netted about $234m for Pixar and put the value of Jobs' remaining 80 per cent stake in the company at almost $1.2bn.

This is a far cry from his life immediately after leaving Apple. A previous project – Next Computer – failed to live up to its promise of becoming a new PC powerhouse to challenge both Apple and IBM. He was forced to close its compnter mannfacturing operations and concentrate on aoftware development.

However, with what now seems inspired prescience, he acquired Pixar in 1986 for about $10m. He bought it from Filmworks, the company formed by George Lucas, the film-maker, which had pioneered the use of computers to create special effects for films such as *Star Wars*.

Since then he has invested an additional $50m or so in Pixar as it moved from aspirations to create high-powered graphics workstations to its new focus on film-making.

Pixar got its big break in 1991 when it won a contract from Disney to produce three feature films. Jobs gradually began playing an active role in the management of Pixar having at first insisted that he would be a "hands-off" investor.

Critics say pointedly that his new-found wealth comes from the business in which he has had least involvement. Bnt Jobs saya he "bought into" Pixar's dream of creating computer animated films "both spiritually and financially" almost 10 years ago. "I believed that computer graphics were going to be very important in the future and I saw the potential of what was happening at Pixar," he says.

Indeed, Pixar's emergence as a leader in computer animation points to his real strengths: the vision to recognise early the business potential of new technologies and bring them to market ahead of the pack.

It was this that led him in his early 20s to pioneer the personal computer market by producing one of the first commercial models. Later, the Apple Macintosh led the PC industry in the development of "graphical user interfaces", with point-and-click icons which most people found much easier to use than the cryptic commands of MS-DOS, Microsoft's operating system.

"The fact that he's defied history, allowing lightning to strike twice – first with Apple and now at Pixar – really solidifies our view of him as a visionary," said Tim Bajarin, president of Creative Strategies Consulting.

Now 40 and a little fuller of face and thinner nn top than when he launched the Macintosh computer in 1984, Jobs is no longer putting all his eggs in one basket. He is splitting his time between Pixar and Next, where he recently launched a new software product that makes it easier to create interactive sites on the Internet, the global network of computers.

The Internet "is the most exciting thing happening in computers today," he says. "It marks the progression of the computer from a computational device to a communications device. "Also," he adds," it is very exciting because Microsoft doesn't own it."

In that latter comment lies a hint of the Steve Jobs of old. While at Apple he would rant against the hegemony of IBM, warning that it would stifle innovation. Today, his *bête noire* is Microsoft, but the sentiments are unchanged.

In his quest to counter Microsoft's dominant role in the software industry, Jobs finds common ground with long-time friend Larry Ellison, chairman and chief executive of Oracle, the world's second largest software company. Oracle and Next hoth have their beadquarters at Redwood Shores, south of San Francisco, and the gossip in Silicon Valley is that recent talks between the two industry executives have gone beyond social chitchat.

Jobs is said to be advising Ellison as he puts together plans to launch a $500 network computer for low-cost access to the Internet. The plan is believed to involve Apple Computer software, which Oracle is seeking to license. Last year Ellison explored the possibility of acquiring Apple, an idea that was perhaps also inspired by his friend Jobs.

Jobs is reticent in discussing his role. "Apart from giving him the basic idea [for a low-cost network compnter] I haven't really been involved," he says. He insists that his departure from Apple is "ancient history" and "water under the bridge".

But Jobs has also said recently he has a plan to "fix Apple", leading to speculation that be might once again play a role in the future of the company be founded.

"Don't hold your breath," says Jobs. "I love Apple and I'd like to help them in any way I could, hut Mike Spindler [Apple chief executive] doesn't even return my phone calls, so it has come to nothing."

While the staying power of his ventures has yet to be proved – both Pixar and Next are expected to face tough competitioo – Jobs' determination to be more than a Silicon Valley legend is clear.

"We have a dream to huild Pixar into the second great animation studio after Disney and that is going to take a lot of energy. Anything left over from that, Next will consume – so I have my work cut out for me over the next few years."

Malcolm Watson

Surprise success story: Keith McCullagh (left) and James Noble

A healthy assets mix

Daniel Green on a British biotech group which is blazing a trail with a new cancer drug

Mr Keith McCullagh had a £5m birthday present on Thursday. That was the increase in value of his 1½ per cent stake in British Biotech – he is chief executive – when the share price rose 50 per cent in response to test results from a new cancer drug.

There were celebrations, too, among the 350 emplnyees of the Oxford-based company, the UK's biggest in biotechnology. Fifteen are now paper millionaires.

In a clinical trial, more than half the 91 patients receiving the drug marimastat bad responded well, with one third seeing a rednction or a stabilisatinn in tumour size. Tha patients were suffering from one of four cancers: ovarian, pancreatic, colorectal or prostate. Unlike many cancer drugs, marimastat appears to have only modest side-effects.

The company, although pleased with the results so far, warned that at least two years of clinical tests and regulatory scrutiny remain before a product can be launched.

That did not stop analysts forecasting sales of $1bn a year if tha drug makes it to the market. The shares closed last night at 1,675p – up from 997p a week earlier – valuing the company at £811m ($1.2bn).

Mr McCullagh, who trained as a vet and once did research into beart disease in African elephants, believes he is now well on the way to fulfilling his dream of creating a new pharmaceuticals company from scratch.

He was head of research in the UK for GD Searle, a US drugs company, wben it was bought by Monsanto of the US in 1985. His UK research nperation was closed.

Inspired by US biotechnology companies, Mr McCullagh and Mr Brian Richards, his boss at Searle, raised £2.5m from venture capitalists to start a new company. They picked a dozen scientists from Searle UK, and brought over Mr McCullagh's pet research programme on enzymes that break down the links between body cells.

Using a mixture of genetic engineering and traditional trial and error, British Biotech's scientists searched for drugs to inhibit these enzymes, called matrix metalloproteinases (MMPs), and for diseases to which they could be applied.

They found marimastat, which seems to protect healthy cells from being broken dnwn by a growing tumour. It appears tn help fnrm a shell around tha tumour which cnts off its blood supply. "We were the first into MMP inhibitors," says Mr McCullagh, "but there are several others two or three years behind us."

The company, floated in 1992, also has other research programmes, in asthma, Aids and heart disease, and has raised money several times as the payroll grew.

But with research costs rising, McCullagh and Richards decided to concentrate on specialist hospital drugs, where a salesforce of a dozen is enough to cover the UK, and to sign joint ventures with pharmaceuticala companies such as Glaxo Wellcome to develop the other, more widely distributed drugs prescribed by GPs.

The extra funds from such partnerships have allowed it to set up a US operation in Annapolis, Maryland, and to condnct clinical trials in many countries outside the UK.

British Biotech is now one of the top handful of hiotech companies in the world by valuation. Yet its success has surprised many in the industry.

Like most companies in the sector, British Biotech will have negligible sales until its first big product launch, and it lost £10.9m in the six months to October.

US analysts in particular had questioned the company's valuation, arguing that there are US biotechnology companies whosa research programmes look as good but whose shares are cheaper.

On a technical level, many pharmaceuticals companies could have done the same as British Biotech. In corporate terms, some biotechnology companies have raised more money and taken drugs all the way to the market. But Britisb Biotech has a rare combination of assets: a drug with the potential to treat many different kinds of cancer; a portfolio of other experimental drugs with similar sales potential; and a partnership witb the wnrld's biggest drugs company, Glaxo Wellcome.

Mr McCullagh, now 52 years and two days old, says: "We are abont balf way through the task of building an international pharmaceuticals business. It'a a long haul, hut we've come through the foothills quite well."

War of words in the reform club

Protests are growing over Russia's privatisation programme. **Chrystia Freeland** explains why

In the often savage world of Russian husiness, bodyguards are more ubiquitous than secretaries and gangland-style assassinations have become almost commonplace.

But even Moscow's most hard-bitten business leaders have been shocked by the war of words that has broken out among four leading banks over the government's privatisation programme. A troika of banks – Inkombank, Alfa-bank and Rossisky Kredit – attacked the programme and accused another bank, Menatep, of unfairly benefiting from it.

The banks' protests have been taken up by communist and nationalist politicians keen to exploit public fears over privatisation in the campaign for the parliamentary elections on December 17. Reformers and businessmen fear that the row could undermine support for further moves towards a market economy.

"This controversy has given the communists a card with which to turn things back," says Mr Mikhail Khodarkovsky, president of Menatep bank. "It means that wben a new group of politicians comes to power, instead of continuing to divide the state property which remains, a redivision of already privatised property might begin."

The row erupted this week, when the presidents of the three banks urged the government to halt the privatisation programme, which they described as "ill-prepared and questionably organised". They also accused Menatep of bidding more than it could afford and of failing to pay the government the money promised in past sales.

Mr Konstantin Kagalovsky, vice-president of Menatep, denied the accusations and launched a fierce counter-attack. He described the disgruntled threesome as "just a gronp of banks who fear that they will not win the privatisation auctions and so have decided to complain".

Another prominent Moscow financier, whose bank has not taken sides in the dispute, agrees that the three banks are hardly impartial observers. "This is a quarrel among thieves," he says. "If they could, Inkombank, Alfa and Rossiysky Kredit would be doing exactly what Menatep is doing."

Though he has no illusions about his colleagues' motives, the banker thinks they have a point. "It's true that all of us can be called thieves," he says, "but there's got to be a limit somewhere and this is highway robbery."

The broadside marks a new phase in Russia's four-year effort to move from central planning to a market economy. In the past, the struggle over the transformation of the economy has boiled down to a quarrel between reformers and communists. Now the reforms have come under fire from some of the most prominent members of the nation's new, capitalist elite.

One reason that even those who describe themselves as "thieves" have hegun to question this year's sell-off is the enormous valne of the companies on offer. As Mr Khodarkovsky of Menatep bank explains: "All the privatisatinn which took place before was just small change. What's happening now is privatisation of the real economic base of the country."

In this round, the Kremlin is trying to sell off its stake in 20 of Russia's most prized companies and many other smaller enterprises. The offerings include 5 per cent of the giant Lukoil concern, at a starting price of $35m, and 51 per cent of Sindanko, which controls massive oil and gas reserves in the Far East, for $125m.

A second reason for the controversy over the present round of privatisation is its speed: the sale is to be completed before the end of the year. Government backers say the programme – which officials hope will raise Rbs6,700bn ($1.8bn) – is vital to this year's efforts to meet tight hudget deficit targets which have helped rein in inflation and stabilise the rouble.

But the Byzantine nature of the deals has raised concerns that the process could become one big "insiders' game" with the banks ending up seizing assets without paying the full price for them. Some of the hids, for example, involve investors lending the government money in return for holding the shares in trust and selling them at a future date.

'All the privatisation which took place before was just small change. What's happening now is privatisation of the real economic base of the country,' says one banker

These worries have been fed by tbe results of some of the sales which have already taken place. Last month an outside bidder was kept out of the anction for a 40 per cent stake in Surgutneftegaz, one of Russia's largest oil companies, by strong-arm tactics – including the closure of the nearest airport and road-blocks manned by armed guards. The auction, organised by the company's own managers, was won by a pension fund which is a subsidiary of the company.

Allegations of official misconduct in the sale of Norilsk Nikel, a large mining concern, have provoked a civil suit against the government. And this week privatisation authorities cancelled the results of a third anction for Nafta-Moskva, a large oil exporter.

But there is a growing view among the public that the sales are being manipulated to benefit a small group of government insiders. This has led Mr Boris Fyodorov, one of the architects of Russian market reforms, to call for a halt to the programme. In a stinging attack, the former minister of finance and parliamentary candidate, warned the government last month that, unless it abandoned the scheme, someone was likely to "wind up behind bars".

"On the eve of elections the outgoing government is trying to sell quickly and cheaply state property that is worth billions of dollars," be said. "This must be stopped immediately.

"I think it is in the interests of the state to stop making a fool of itself and cancel the operation. So, Victor Stepanovich [Chernomyrdin, tbe prime minister], please stop this shameful thing."

Both Mr Fyodorov and the three banks say that if the privatisation round continues, its excesses will offer a perfect pretext for renationalising some enterprises in Russia. With communist and nationalist parties riding high in the polls, there is a real possibility that the next government will be a "red-hrown" coalitioo that would be tempted to challenge the property rights of the owners of privatised enterprises.

Most Russian observers are confident that the communists and their nationalist allies would not seek a return to an orthodox, centrally planned communist ecooomy. But many of them worry that a communist-nationalist administration might act on its campaign promise to overturn a few of tbe privatisations which, in the public's perception, have been most corrupt.

When the Russian government launched its bold privatisation programme, it chose speed over justice on the grounds that only a swift transition to capitalism offered insurance against a return of the communists. Three years later, that decision is rightly credited with having created what is a functioning market economy – in spite of all its shortcomings.

By taking the same approach today – just two weeks ahead of parliamentary elections likely to be dominated hy the communists – the Kremlin risks undermining its proudest acbievement.

Clinton's newfound shrewdness in foreign affairs has served him well in Ireland, writes **Jurek Martin**

Super solo without sax

There was just one brief moment in Belfast on Thursday evening tailor-made for the old, impulsive Bill Clinton. He was nearing the end of a day in which he had been mobbed by enthusiastic crowds in Londonderry and on the still mean bnt less dangerous streets of the capital.

The throng outside City Hall, waiting for him to turn on the Christmas tree lights, was the higgest of all and in buoyant mood, chanting "Bill, Bill, Bill". Van Morrison, Ulster'a great rock'n'roller, had warmed them np with some vintage numbers, among them *There'll Be Days Like This*, the ironic anthem for the Troubles. The stage was literally littered with saxophones. Surely the president of the US, First Musician as well as First Golfer, could not resist picking up his musical instrument of choice.

But he did not blow his horn, as he had in Prague, Hollywood and on late night TV at home. For this was a disciplined president determined to snund only one nnte – that peace had come to Ulster and could make a permanent home there if what he called the "old habits" and "hard grudges" of violence were dead and huried.

Rarely has a presidential mission been executed with such care and precision. If Ulster is a minefield of sensibilities, extending explosively to London and Dublin, Mr Clinton, in his most ecumenical yet eloquent mode, stepped on none of them. Even his meetings with local politicians were carefully calibrated: Mr Gerry Adams, the head of Sinn Féin, Mr David Trimble, Ulster Unionist leader, and Rev Ian Paisley of the Democratic Unionist party each got 20 minutes with the president and his senior advisers.

The long-awaited puhlic handshake with Mr Adams was conducted on the Catholic Falls Road with such discretion, out of sight of the travelling press corps though not a Sinn Féin camera, that unionists raised few objections. In any case, Mr Trimble was instantly rewarded with a trip in the president's limousine, as well as his later tête-à-tête. When the Clintons shopped briefly on tha Protestant Shankill Road, they did so next to the fish shop where 10 people were blown np just over two years ago – and they bought, symbolically, oranges.

Mr Clinton appears to have favoured no faction in his meetings, nor did he seek to move forward the latest negotiating framework agreed earlier in the week by Mr John Major and Mr John Bruton, the British and Irish prime ministers. His constant companion at each session was former US senator Mr George Mitchell, head of the international panel that will look into the question of decommissioning weapons in the Irish conflict.

Rev Paisley predictably complained that the president was not "well briefed" on the loyalist viewpoint. The White House thinks he has been marginalised by the peace process and political developments in Ulster, but was only too happy to offer him the compliment of the private session with the president. By his own incendiary rhetorical standards, Dr Paisley was relative sweetness afterwards, naturally promising to fight a united Ireland but stating: "I will erect no barriers to a true peace."

Moreover, Mr Clinton's praise for Mr Adams as a peacemaker implied no approval of the IRA. The president shrewdly put him in the same public league as Mr Gary McMicbael and Mr David Ervine, both connected to Protestant paramilitaries, complimenting all for taking "the guns from the streets". He drove that home by declaring to "the men of violence" that "your time is over", a deliberate play on the old IRA motto "the time has come".

Reuter

Hand to hand: Bill Clinton greets people in Londonderry

All this, together with an equally impressive affirmation on Wednesday of strong US relations with Britain, bespeaks a carefully planned trip – remarkable given the competing policy demands of the budget battle in Washington and the Bosnian peace agreement. For that, much credit is due to Ms Nancy Soderberg, the tougb national security council deputy.

Ms Soderberg, who said that the atmosphere in Ulster on Thursday had made her feel "tingly" with emotion, is suspected of nationalist sympathies, the result of her long employment by Senator Edward Kennedy of Massachusetts. But she knows her Ireland and her ethnic politics and, in this case, received professional assistance from the US embassies in Loodon and Dublin and from Ms Kathleen Stephens, formerly UK desk officer at the state departmeot and now the energetic US consul general in Belfast.

But Mr Clinton's own imprint on the mission was also evident. Some close watcbers of the president think he is now much driven by what he sees as the warrior-turned-peacemaker legacy of Mr Yitzhak Rabin. Certainly there has been a consistency in his message to the factions in Bosnia and Ireland in the weeks since the Israeli prime minister was assassinated: that durable peace can never be externally imposed but only mutually agreed by those on the ground ready and willing to make it. All the US can really do is belp make it work.

It is also a message which, if accompanied by results, does resonate politically back home. The qualified support for a US military presence in Bosnia offered this week by Senator Bob Dole, the majority leader and Mr Clinton's probable opponent in next year's presidential election, reflects this. And the same premise may be applied to Ireland.

This is not, as the British body politic and media assert, simply because there are 40m Americans of Irish descent: the majority of them are traditional Democrats in any case and are more likely to cast their votes on bread-and-butter domestic issues than on whicb candidate is doing more for the "ould country".

More important is the political reality that although a successful foreign policy alone may not win national elections (as president George Bush found out in 1992) the appearance of incompetence in external affairs can help lose them (Mr Jimmy Carter in 1980). That perception, based on the rocky foreign policy record of Mr Clintoo's first two years, was a potential millstone round his neck going into next year, but, thanks to the Middle East, Bosnia and now Ireland, the hurden appears lighter.

It is barder to predict if Mr Clinton's message, with all its right words and symbols, will have a lasting impact in Ulster and the Republic. The warmth of his welcome, with Dublin yesterday matching Belfast, seems a good omen for progress, as does tbe relative absence of public dissent.

That lone shout of "Never!" at tbe Mackie engineering plant in Belfast to his assertion that those who renonnce violence bave a stake in the future was the exception not the rule. As the president put it: "I often think the people are way ahead of their political leaders in wanting peace."

One Belfast resident, who admitted sympathy for Protestant paramilitaries, said: "I come from a hard part of town. But Clinton's given us some movement. That's better than before." Perhaps a saxophone solo was not needed.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar stable

By Philip Gawith

The dollar was yesterday unable to sustain a breach of the DM1.45 level as investors took profits ahead of the weekend.

It still managed to finish three pfennigs firmer on the week, closing in London at DM1.4451, its highest level in around ten weeks. Against the yen it closed at Y101.33, barely changed on the day, or over the week.

Aside from the dollar, the French franc remained the focus of attention, amid a wave of public sector protest against stringent fiscal measures proposed by the government. At one point the franc threatened to break above FFr3.47 against the D-Mark, before a round of profit-taking provided some respite, with the franc closing at FFr3.457, from FFr3.445.

The generally firmer dollar helped to insulate sterling from any post-budget jitters, and it finished largely unchanged at DM2.212 and $1.5308. Over the week, it was unchanged against the D-Mark, but lost three cents against the dollar.

■ The public sector strife in France, and its economic implications, remained the main focus. "People are starting to take quite a serious attitude to the implications of the strike," said Mr Jeremy Hawkins, chief economist at the Bank of America in London.

He said the franc appeared to be in a lose-lose situation: an early resolution would probably involve the government retreating from fiscal austerity, while if it persisted, it would start to cause economic damage.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said the franc was being shielded from the full gravity of the policy conflict. He said the currency would have weakened to around FFr3.50, were it not for the current "feeding frenzy" for yield among investors. He cited the Italian lira and Swedish krona, both of which have rallied sharply in recent weeks, as examples of other countries which had benefited from this focus.

Mr Persaud predicted that the franc might escape the full sanction of the market until such time as the market believed German interest rates had bottomed. He warned, however, that "growth is the glue that keeps the government strategy together." He said that if growth faltered, as he expects, the two-pronged strategy of achieving fiscal consolidation while bringing down unemployment would be difficult to achieve.

■ The dollar's rally over the past week appears to have been driven mostly by a generally weaker D-Mark and the rally in the US Treasury market. The correlation between these two markets remains close, with the link being foreign purchases of US bonds.

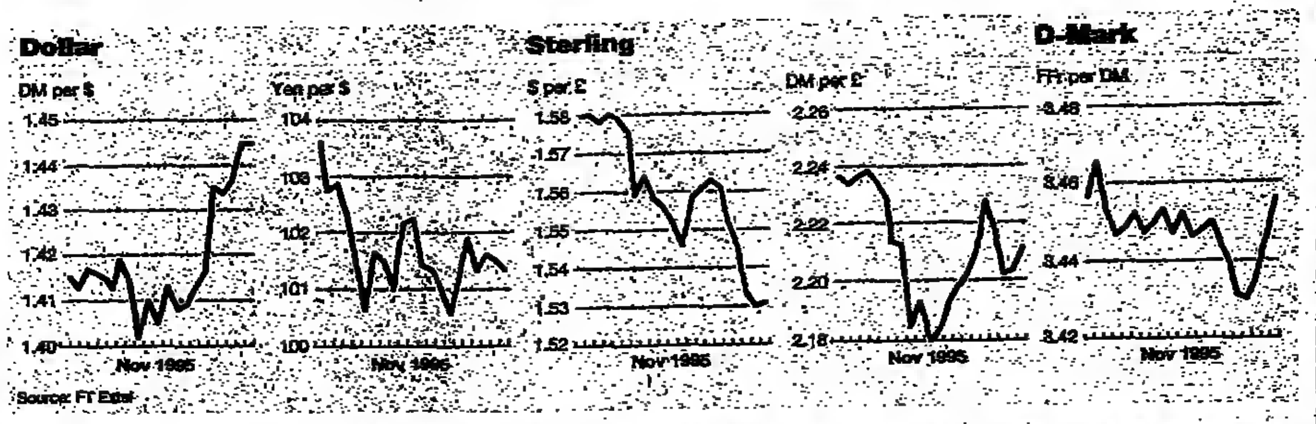
Mr Persaud said US asset markets had priced in "far too much good news". They are pricing in an interest rate cut of around 50 basis points, on the assumption that a budget deal will be struck.

He said the risks were clearly stacked on the downside, and if in these circumstances foreigners stop buying US assets, the dollar's rally could reverse sharply.

The weak NAPM report yesterday lent further fuel to speculation of a US rate cut at the upcoming Federal Reserve policy meeting. Mr Hawkins said the Fed would probably be loathe to cut rates without a prior budget deal, though some observers note that even without a deal, the US would still comfortably meet the Maastricht convergence criteria in two years time.

■ Pound in New York

Dec 1	Latest	Prev. close
£ spot	1.5340	1.5320
1 mth	1.5330	1.5310
3 mth	1.5315	1.5295
1 yr	1.5231	1.5207



POUND SPOT FORWARD AGAINST THE POUND

Dec 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5647	+0.0108	579 - 714	15.6177	15.5494	15.5343	2.3	15.4757	2.3	-	-	106.5
Belgium	(BFr)	45.5138	+0.1029	850 - 426	45.6210	45.2220	45.4068	2.8	45.2138	2.6	44.4288	2.4	109.1
Denmark	(DKr)	8.5631	+0.0065	588 - 673	8.5930	8.5540	8.5555	1.1	8.5389	1.1	8.4764	1.0	109.2
Finland	(FM)	6.5773	+0.0088	712 - 834	6.6070	6.5660	6.5729	0.8	6.5648	0.8	-	-	88.2
France	(FFr)	7.6461	+0.0299	421 - 501	7.6760	7.6316	7.6427	0.5	7.655	-0.5	7.6517	-0.1	109.7
Germany	(DM)	2.2120	+0.0015	111 - 129	2.2209	2.2082	2.2072	2.6	2.1975	2.6	2.1563	2.5	111.4
Greece	(Dr)	363.997	+0.297	791 - 203	365.559	363.138	-	-	-	-	-	-	66.7
Ireland	(I£)	0.9658	-0.0003	651 - 667	0.9671	0.9650	0.9651	1.0	0.9638	0.9	0.9606	0.6	97.4
Italy	(L)	2453.49	+7.1	201 - 497	2455.97	2440.08	2460.74	-3.5	2475.64	-3.6	2543.79	-3.7	70.9
Luxembourg	(LFr)	45.5138	+0.1029	850 - 426	45.6210	45.2220	45.4068	2.8	45.2138	2.6	44.4288	2.4	109.1
Netherlands	(Fl)	2.4776	+0.0035	762 - 789	2.4873	2.4728	2.4716	2.7	2.4607	2.7	2.415	2.6	109.1
Norway	(NKr)	9.7356	-0.0035	295 - 416	9.7917	9.7246	9.7232	1.5	9.7013	1.4	9.6258	1.1	98.1
Portugal	(Es)	231.802	+0.22	672 - 931	232.600	231.295	232.342	-2.8	233.562	-3.0	-	-	95.1
Spain	(Pta)	188.757	+0.59	668 - 846	189.112	188.233	189.257	-3.2	190.197	-3.1	194.597	-3.1	81.7
Sweden	(SKr)	10.0230	-0.0167	149 - 310	10.0846	9.9961	10.0252	-0.3	10.0297	-0.3	10.0531	-0.3	88.8
Switzerland	(SFr)	1.7983	+0.0031	973 - 993	1.8056	1.7940	1.7912	4.7	1.7783	4.2	1.7264	4.0	114.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.6
Ecu	-	1.1989	-0.0007	984 - 993	1.2030	1.1963	1.1979	1.0	1.1959	1.0	1.1874	1.0	-
SDR†	-	1.03253	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5301	+0.0008	296 - 305	1.5332	1.5259	-	-	-	-	-	-	-
Brazil	(R$)	1.4788	+0.0012	784 - 792	1.4818	1.4751	-	-	-	-	-	-	-
Canada	(C$)	2.0899	+0.013	890 - 907	2.0921	2.0792	2.091	-0.8	2.093	-0.6	2.0968	-0.3	83.9
Mexico	(New Peso)	11.6567	+0.1625	310 - 823	11.6884	11.5441	-	-	-	-	-	-	-
USA	($)	1.5308	+0.0013	304 - 311	1.5340	1.5265	1.5295	0.8	1.5282	0.7	1.52	0.7	94.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0715	+0.0143	703 - 727	2.0735	2.0567	2.0726	-0.6	2.0756	-0.8	2.0904	-0.9	85.2
Hong Kong	(HK$)	11.8424	+0.0115	389 - 458	11.8660	11.6102	11.8389	0.4	11.8264	0.5	11.7928	0.4	-
India	(Rs)	53.4309	+0.059	804 - 813	53.5640	53.2980	-	-	-	-	-	-	-
Israel	(Shk)	4.7182	+0.0128	133 - 231	4.7331	4.7097	-	-	-	-	-	-	-
Japan	(Y)	155.111	-0.179	999 - 223	156.530	154.640	154.251	6.7	152.456	6.8	145.411	6.3	142.7
Malaysia	(M$)	3.8785	-0.0003	768 - 801	3.8913	3.8704	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3581	+0.0158	566 - 595	2.3600	2.3406	2.364	-3.0	2.3733	-2.6	2.3989	-1.7	100.7
Philippines	(Peso)	40.0858	+0.0359	567 - 148	40.1500	39.9833	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7414	+0.005	393 - 435	5.7533	5.7262	-	-	-	-	-	-	-
Singapore	(S$)	2.1653	+0.0079	640 - 665	2.1667	2.1584	-	-	-	-	-	-	-
South Africa	(R)	5.6110	+0.0022	089 - 130	5.6290	5.6023	-	-	-	-	-	-	-
South Korea	(Won)	1179.29	-0.42	764 - 895	1182.63	1175.41	-	-	-	-	-	-	-
Taiwan	(T$)	41.8822	+0.0877	335 - 909	41.9319	41.7650	-	-	-	-	-	-	-
Thailand	(Bt)	38.5137	+0.0314	896 - 378	38.6150	38.4220	-	-	-	-	-	-	-

† Rates for Nov 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.1680	-0.0016	659 - 701	10.2090	10.1650	10.1529	1.8	10.1227	1.8	10.0135	1.5	106.4
Belgium	(BFr)	29.7330	+0.043	210 - 450	29.8200	29.6050	29.692	1.7	29.613	1.6	29.313	1.4	109.6
Denmark	(DKr)	5.5940	-0.001	925 - 955	5.6168	5.5850	5.5948	-0.2	5.5905	0.3	5.6	-0.1	108.4
Finland	(FM)	4.2968	+0.0022	938 - 998	4.3156	4.2880	4.2964	0.1	4.2953	0.1	4.2906	0.1	87.3
France	(FFr)	4.9950	+0.0155	935 - 965	5.0275	4.9922	4.9936	0.3	4.9922	0.2	4.9866	0.1	109.3
Germany	(DM)	1.4451	-0.0002	448 - 453	1.4517	1.4430	1.4431	1.7	1.4389	1.7	1.4233	1.5	110.6
Greece	(Dr)	237.790	-	710 - 870	239.030	237.170	239.515	-8.7	242.715	-8.3	256.19	-7.7	66.0
Ireland	(I£)	1.5848	+0.0016	838 - 858	1.5870	1.5795	1.585	-0.1	1.5851	-0.1	1.5918	-0.4	-
Italy	(L)	1602.80	+3.35	220 - 340	1608.31	1595.50	1609.55	-5.1	1621.6	-4.7	1678.8	-4.7	70.6
Luxembourg	(LFr)	29.7330	+0.043	210 - 450	29.8200	29.6050	29.692	1.7	29.613	1.6	29.313	1.4	109.6
Netherlands	(Fl)	1.6185	+0.0009	180 - 190	1.6290	1.6158	1.6159	2.0	1.6109	1.9	1.5906	1.7	108.4
Norway	(NKr)	6.3600	-0.0075	575 - 625	6.3870	6.3545	6.3563	0.7	6.35	0.6	6.34	0.3	97.0
Portugal	(Es)	151.430	+0.02	380 - 480	152.080	151.200	151.895	-3.7	152.905	-3.9	157.53	-4.0	95.1
Spain	(Pta)	123.310	+0.285	280 - 340	123.870	123.170	123.69	-3.7	124.46	-3.7	127.955	-3.8	81.8
Sweden	(SKr)	6.5478	-0.0163	440 - 515	6.5789	6.5370	6.5652	-3.2	6.6018	-3.3	6.7703	-3.4	87.7
Switzerland	(SFr)	1.1748	+0.0011	744 - 752	1.1800	1.1721	1.1712	5.7	1.1651	3.3	1.1373	3.2	114.3
UK	(£)	1.5308	+0.0013	304 - 311	1.5340	1.5265	1.5298	0.8	1.5282	0.7	1.52	0.7	82.0
Ecu	-	1.2789	+0.0016	767 - 770	1.2783	1.2717	1.2773	-0.4	1.278	-0.3	1.2803	-0.3	-
SDR†	-	0.67268	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0003	995 - 998	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9661	-	660 - 661	0.9662	0.9660	-	-	-	-	-	-	-
Canada	(C$)	1.3653	+0.0074	650 - 655	1.3670	1.3609	1.3669	-1.5	1.37	-1.4	1.3823	-1.2	83.3
Mexico	(New Peso)	7.6150	+0.1	000 - 300	7.6300	7.6000	7.6173	-0.4	7.6204	-0.3	7.6253	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3532	+0.0082	528 - 537	1.3543	1.3473	1.355	-1.6	1.3588	-1.8	1.3783	-1.9	86.6
Hong Kong	(HK$)	7.7363	+0.0012	358 - 368	7.7372	7.7355	7.7378	-0.2	7.7398	-0.2	7.76	-0.3	-
India	(Rs)	34.9050	+0.01	800 - 300	34.9350	34.8800	35.055	-5.2	35.36	-5.2	36.83	-5.5	-
Israel	(Shk)	3.0823	+0.0059	798 - 848	3.0923	3.0750	-	-	-	-	-	-	-
Japan	(Y)	101.330	-0.2	280 - 380	102.200	101.250	100.835	5.9	99.915	5.6	96.04	5.2	142.8
Malaysia	(M$)	2.5337	-0.0023	332 - 342	2.5392	2.5328	2.5337	0.0	2.5341	-0.1	2.5417	-0.3	-
New Zealand	(NZ$)	1.5404	+0.008	399 - 411	1.5420	1.5333	1.5445	-3.2	1.552	-3.0	1.5787	-2.4	-
Philippines	(Peso)	26.1870	+0.002	740 - 000	26.2000	26.1740	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0002	502 - 512	3.7515	3.7502	3.7513	-0.2	3.7521	+0.1	3.7553	-0.1	-
Singapore	(S$)	1.4145	+0.004	140 - 150	1.4155	1.4116	1.4111	2.8	1.4048	2.8	1.38	2.4	-
South Africa	(R)	3.6655	-0.0016	650 - 660	3.6705	3.6650	3.6908	-8.3	3.7409	-8.2	3.972	-8.4	-
South Korea	(Won)	769.750	-0.8	500 - 000	771.600	769.400	772.75	-4.7	776.25	-3.4	794.75	-3.2	-
Taiwan	(T$)	27.3475	+0.035	350 - 600	27.3610	27.3240	27.3675	-0.9	27.4075	-0.9	-	-	-
Thailand	(Bt)	25.1800	-	500 - 700	25.1800	25.1500	25.2475	-4.2	24.895	4.2	26.115	-3.8	-

† SDR rate per $ for Nov 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 30: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.80	4.860	2.123	5390	5.445	21.39	509.3	414.9	22.02	3.951	2.197	4.592	3.364	340.8	2.655
Denmark	(DKr)	53.15	10	8.929	2.583	1.128	2865	2.894	11.37	270.7	220.5	11.70	2.100	1.168	2.441	1.788	181.1	1.400
France	(FFr)	59.52	11.20	10	2.893	1.263	3208	3.241	12.73	303.2	246.9	13.10	2.352	1.308	2.733	2.002	202.9	1.568
Germany	(DM)	20.57	3.871	3.457	1	0.437	1109	1.120	4.401	104.8	85.35	4.530	0.813	0.452	0.945	0.692	70.12	0.542
Ireland	(I£)	47.11	8.864	7.915	2.290	1	2539	2.565	10.08	240.0	195.4	10.37	1.861	1.035	2.164	1.585	160.6	1.241
Italy	(L)	1.856	0.349	0.312	0.090	0.039	100.	0.101	0.397	9.450	7.697	0.408	0.073	0.041	0.085	0.062	6.323	0.049
Netherlands	(Fl)	18.37	3.456	3.086	0.893	0.390	989.9	1	3.929	93.54	76.19	4.044	0.726	0.404	0.843	0.618	62.59	0.484
Norway	(NKr)	46.74	8.795	7.853	2.272	0.992	2520	2.545	10	238.1	193.9	10.29	1.847	1.027	2.147	1.573	159.3	1.232
Portugal	(Es)	19.63	3.694	3.299	0.954	0.417	1058	1.069	4.200	100.	81.45	4.323	0.776	0.431	0.902	0.660	66.91	0.517
Spain	(Pta)	24.10	4.535	4.050	1.172	0.512	1299	1.313	5.157	122.8	100.	5.307	0.952	0.530	1.107	0.811	82.15	0.635
Sweden	(SKr)	45.42	8.546	7.631	2.208	0.964	2448	2.473	9.717	231.3	188.4	10	1.794	0.998	2.086	1.528	154.8	1.167
Switzerland	(SFr)	25.31	4.763	4.253	1.230	0.537	1364	1.378	5.415	128.8	105.0	5.573	1	0.556	1.162	0.852	86.26	0.667
UK	(£)	45.51	8.563	7.646	2.212	0.966	2453	2.478	9.736	231.8	188.8	10.02	1.798	1	2.090	1.531	155.1	1.199
Canada	(C$)	21.78	4.097	3.658	1.058	0.462	1174	1.186	4.658	110.9	90.33	4.794	0.860	0.478	1	0.733	74.21	0.574
US	($)	29.73	5.593	4.994	1.445	0.631	1602	1.619	6.359	151.4	123.3	6.545	1.174	0.653	1.365	1	101.3	0.783
Japan	(Y)	29.34	5.521	4.930	1.426	0.623	1582	1.598	6.277	149.5	121.7	6.460	1.159	0.645	1.348	0.987	100.	0.773
Ecu		37.98	7.142	6.377	1.845	0.806	2046	2.067	8.120	193.3	157.5	8.357	1.500	0.834	1.743	1.277	129.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Dec 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.10127	-0.00011	-2.36	5.88	18
Belgium	39.3960	38.5742	-0.0031	-2.08	5.58	15
Germany	1.91007	1.87719	+0.00056	-1.72	5.19	17
Austria	13.4383	13.2084	+0.0041	-1.71	5.18	12
Spain	162.493	160.025	-0.056	-1.52	4.97	11
Denmark	7.28580	7.26844	-0.00043	-0.27	3.65	2
Portugal	195.792	196.545	-0.16	0.38	2.98	-3
France	6.40608	6.49988	+0.01684	1.46	1.89	-12
Ireland	0.792214	0.818982	-0.003498	3.38	0.00	-23
NON ERM MEMBERS						
Greece	292.867	308.982	-0.299	5.50	-2.01	-
Italy	2106.15	2079.93	-3.65	-1.24	4.68	-
UK	0.786652	0.847752	-0.00424	7.77	-4.07	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6911	0.6916	+0.0009	0.6924	0.6897	32,463	63,694
Mar	0.6946	0.6951	+0.0010	0.6951	0.6915	1,639	7,382
Jun	0.6979	0.6979	+0.0009	0.6979	0.6979	434	830

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8517	0.8530	+0.0026	0.8530	0.8494	21,726	38,476
Mar	0.8580	0.8603	+0.0025	0.8603	0.8565	1,370	6,250
Jun	0.8651	0.8651	-	0.8675	0.8650	24	530

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9816	0.9875	+0.0060	0.9895	0.9806	22,081	60,751
Mar	0.9992	1.0007	+0.0059	1.0027	0.9980	2,916	11,633
Jun	1.0100	1.0100	+0.0028	1.0100	1.0100	3	475

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5324	1.5278	-0.0030	1.5330	1.5296	10,206	48,300
Mar	1.5270	1.5256	-0.0030	1.5270	1.5238	1,572	3,809
Jun	-	1.5230	-0.0026	-	1.5210	8	16

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.540	0.74	1.48	2.16	1.80	2.58	3.30
1.550	0.43	1.09	1.77	2.51	3.20	3.90
1.560	0.24	0.80	1.44	3.24	3.80	4.55
1.570	0.10	0.56	1.16	4.11	4.85	5.25
1.580	0.10	0.36	0.90	5.02	-	-
1.590	-	0.22	-	-	-	-

Previous day's vol., Calls 13,439 Puts 12,631. Prev. day's open int., Calls 254,125 Puts 290,121

UK INTEREST RATES

LONDON MONEY RATES

Dec 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 6	7 - 6¼	6¾ - 6⅝	6⅝ - 6½	6 7/16 - 6¼	6⅜ - 6¼
Sterling CDs	-	-	6 21/32 - 6 17/32	6½ - 6 7/16	6⅜ - 6 5/16	6¼ - 6 3/16
Treasury Bills	-	-	6⅝ - 6 17/32	6⅜ - 6¼	-	-
Bank Bills	-	-	6 21/32 - 6 19/32	6 15/32 - 6 13/32	6¼ - 6 3/16	-
Local authority deps.	6 13/16 - 6 13/16	6 13/16 - 6 11/16	6 11/16 - 6 9/16	6 9/16 - 6 7/16	6 7/16 - 6 5/16	6⅝ - 6½
Discount Market deps	7 - 6¾	1 - 6⅞	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¼	5¼	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.2358pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1995. Agreed rate for period Dec 26, 1995 to Jan 23, 1996, Schemes II & III 7.98pc. Reference rate for period Nov 1, 1995 to Nov 30, 1995, Schemes IV & V 6.726pc. Finance House Base Rate 7pc from November 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.58	93.58	+0.03	93.60	93.56	8119	81190
Mar	93.84	93.85	+0.03	93.87	93.84	12249	90254
Jun	93.94	93.96	+0.04	93.99	93.94	8343	60969
Sep	93.89	93.93	+0.06	93.95	93.88	5969	44307
Dec	93.76	93.80	+0.08	93.81	93.76	3920	29872

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.14	0.43	0.62	0.05	0.08	0.16
9375	0.02	0.25	0.45	0.18	0.15	0.24
9400	0	0.13	0.30	0.41	0.28	0.34

Est. vol. total, Calls 8018 Puts 3318. Previous day's open int., Calls 159456 Puts 159117

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

WORLD INTEREST RATES

MONEY RATES

December 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
France	5¾	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	6.10
week ago	5¾	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	6.10
Germany	4⅛	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
week ago	4	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.97
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.52
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.52
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.80
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.80
Switzerland	2	2¼	2⅛	2	[illegible]	5.00	2.00	-
week ago	[illegible]	2¼	[illegible]	[illegible]	[illegible]	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	½	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.31	5.44	5.40	5.39	-	-	-
week ago	-	5.31	5.47	5.43	5.41	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	4 - 3⅞	4⅛ - 4	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6 - 5¾
Portuguese Esc.	[illegible]	[illegible]	[illegible]	8 - 8⅞	9 - 8⅞	8 - 8⅞
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	7 - 6¾	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	2¼ - 2⅛	[illegible]	2⅛ - 2	2 - 1⅞	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	5¾ - 5½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	10½ - 10¼	10⅜ - 10¼	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	2¼ - 2⅛	2¼ - 2⅛	2½ - 2⅜	[illegible]	[illegible]	3 - 2⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.29	93.51	+0.18	93.68	93.29	95,049	48,101
Mar	94.15	94.24	-0.07	94.40	94.15	32,421	41,074
Jun	94.50	94.68	+0.05	94.76	94.50	12,690	35,266

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.11	96.09	-0.01	96.11	96.08	14375	132473
Mar	96.33	96.33	-	96.35	96.32	19298	158289
Jun	96.42	96.43	+0.01	96.45	96.42	24125	125207
Sep	96.36	96.38	+0.02	96.41	96.36	13191	105167

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.59	89.52	-0.06	89.61	89.50	5015	22696
Mar	89.90	89.88	-0.02	89.94	89.84	4045	32117
Jun	90.19	90.15	-0.01	90.21	90.11	1836	17326
Sep	90.30	90.25	-	90.30	90.24	1133	9730

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.91	97.77	-0.14	97.91	97.75	7116	17002
Mar	98.15	98.01	-0.13	98.15	97.95	6941	24170
Jun	98.19	98.09	-0.12	98.21	98.03	2244	9630
Sep	98.12	98.06	-0.11	98.15	98.06	191	5403

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.52	94.53	-0.05	94.60	94.50	997	6740
Mar	94.78	94.80	+0.01	94.84	94.75	970	5572
Jun	94.88	94.92	+0.02	94.96	94.88	671	4227
Sep	94.91	94.93	+0.04	94.96	94.90	835	2033

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.26	94.28	+0.02	94.28	94.26	47,032	310,225
Mar	94.68	94.69	+0.01	94.70	94.68	91,800	422,224
Jun	94.79	94.80	+0.01	94.81	94.78	93,274	323,417

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.73	94.73	-	94.73	94.72	945	8,305
Mar	95.12	95.11	+0.01	95.12	95.11	2,195	7,819
Jun	95.22	95.20	-0.02	95.23	95.20	44	1,020

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9600	0.11	0.35	0.36	0.37	0.02	0.02	0.03	0.04
9625	0.02	0.14	0.17	0.18	0.18	0.06	0.08	0.10
9650	0	0.04	0.06	0.07	0.41	0.21	0.23	0.24

Est. vol. total, Calls 6227 Puts 4738. Previous day's open int., Calls 285361 Puts 286397

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9775	0.06	0.38	0.48	0.04	0.10	0.14
9800	0.01	0.19	0.31	0.24	0.18	0.22
9825	0	0.11	0.17	0.48	0.35	0.33

Est. vol. total, Calls 0 Puts 100. Previous day's open int., Calls 11512 Puts 3456

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8950	0.13	0.65	0.96	0.11	0.27	0.33
8975	0.05	0.50	0.81	0.28	0.37	0.41
9000	0.02	0.36	0.66	0.50	0.48	0.51

Est. vol. total, Calls 618 Puts 0. Previous day's open int., Calls 18617 Puts 9218

■ OTHER CURRENCIES

Dec 1	£	$
Czech Rp	40.7637 - 40.7977	26.6380 - 26.6460
Hungary	237.476 - 237.646	155.570 - 155.620
Iran	4593.30 - 4591.20	3000.00 - 3000.00
Kuwait	0.4598 - 0.4602	0.3003 - 0.3006
Poland	3.8566 - 3.8614	2.5200 - 2.5220
Russia	7011.03 - 7016.88	4580.00 - 4585.00
U.A.E.	5.6204 - 5.6237	3.6725 - 3.6730

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Emerging Markets page in Monday's edition.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of AUTIF §§

INITIAL CHARGE: Charges made by a unit trust manager. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the buying price of units.

BUYING PRICE: Also called offer price. The price at which units are bought by investors.

SELLING PRICE: Also called bid price. The price at which units are sold back by investors.

TREATMENT OF MANAGER'S PERIODIC CHARGE: The letter C denotes that the trust deducts all or part of the manager's periodic charge from capital, contact the manager for full details of the effect of this course of action.

EXIT CHARGES: The letter E denotes that an exit charge may be made when you sell units, contact the manager for full details.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Association of Unit Trusts and Investment Funds, 65 Kingsway, London, WC2B 6TD. Tel: 0171-831-0898.

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PROPERTY UNIT TRUSTS

INSURANCES

OTHER UK UNIT TRUSTS

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Money Market Bank Accounts

MANAGEMENT SERVICES

Money Market Trust Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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Citicorp Investment Mgmt (Luxembourg) SA

Citimarkets SA

Clan European Asset Value Fund

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Nov 30	$10.14		-0.11	-

Clemente Korea Emerging Growth Fund

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Nov 24	$11.03		-0.16	-

Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Monterey Trust SICAV

	Selling Price	Buying Price	+ or -	Yield Gross
NAV	$20.10		-	-

Morgan Stanley Sicav

Abtrust International Ltd

Royal Life International

Camco Investment Management

Capital International

	Selling Price	Buying Price	+ or -	Yield Gross
Capital Int. Fund	$153.91			

Cathay Investment Fund Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Sep 30	HK$31.92			

Chameleon Funds Limited

Chescor Indian Investment Company Ltd

The China Fund

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Dec 1 / US$)

[illegible]

CANADA (Dec 1 / Can. $)

[illegible]

EUROPE

AUSTRIA (Dec 1 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 1 / Frs.)

[illegible]

DENMARK (Dec 1 / Kr)

[illegible]

FINLAND (Dec 1 / Kr)

[illegible]

FRANCE (Dec 1 / Frs.)

[illegible]

GERMANY (Dec 1 / Dm.)

[illegible]

ITALY (Dec 1 / Lire)

[illegible]

NETHERLANDS (Dec 1 / Fls.)

[illegible]

NORWAY (Dec 1 / Kroner)

[illegible]

SPAIN (Dec 1 / Pts.)

[illegible]

SWEDEN (Dec 1 / Kronor)

[illegible]

SWITZERLAND (Dec 1 / Frs.)

[illegible]

AFRICA

SOUTH AFRICA (Dec 1 / Rand)

[illegible]

PACIFIC

JAPAN (Dec 1 / Yen)

[illegible]

AUSTRALIA (Dec 1 / Aust$)

[illegible]

HONG KONG (Dec 1 / H.K.$)

[illegible]

MALAYSIA (Dec 1 / MYR)

[illegible]

SINGAPORE (Dec 1 / S$)

[illegible]

INDICES

	Dec 1	Nov 30	Nov 29	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	15052.90	15070.73	18631.18	2/1	9831.08	9/3
Australia							
All Ordinaries(1/1/80)	2163.3	2158.8	2160.0	2168.00	18/9	1823.30	8/2
All Mining(1/1/80)	992.6	998.6	999.8	1029.50	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	339.67	335.94	339.50	385.42	2/1	328.50	27/10
Traded Index(2/1/91)	967.68	940.17	930.46	1058.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1510.87	1490.30	1481.01	1510.87	1/12	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(u)	43786.0	41825.0	48812.00	19/9	21382.00	9/3
Canada							
Metals Mints♦(1975)	(u)	5148.15	5152.90	5286.37	23/11	3808.83	1/3
Composite♦ (1975)	(u)	4661.18†	4670.80	4710.30	12/7	3991.41	30/1
Portfolio§§ (4/1/83)	(u)	2265.86†	2296.63	2307.81	12/7	1983.38	30/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5665.2	5556.3	6083.10	11/7	4576.90	9/3
Denmark							
CopenhagenSE(3/1/83)	363.21	361.52	358.43	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1920.07	1912.03	1930.96	2332.22	14/9	1555.30	29/3
France							
SBF 250 (31/12/90)	1212.04	1215.23	1230.93	1322.38	12/5	1154.41	13/3
CAC 40(31/12/87)	1820.61	1828.28	1857.33	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	809.24	802.17	806.77	848.78	19/9	708.87	30/3
Commerzbank(1/12/53)	2336.1	2314.0	2327.9	2427.80	19/9	2018.70	30/3
DAX (30/12/87)‡	2260.66	2242.83	2245.82	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	901.92	885.18	878.11	982.69	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9862.56	9813.34	9617.32	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3037.99	2994.39	2922.16	3932.09	2/1	2922.16	29/11
Indonesia							
Jakarta Comp.(10/8/82)	486.72	481.73	478.63	518.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2230.39	2215.18	2198.33	2242.05	21/11	1813.58	23/1
Italy							
Banca Comm Ital (1972)	555.81	552.77	557.40	680.54	10/2	582.77	30/11
MIB General (2/1/95)	878.0	874.0	881.0	1076.00	10/2	874.00	30/11
Japan							
Nikkei 225 (16/5/49)	18833.10	18744.42	18533.98	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	281.44	278.28	274.86	288.18	4/1	222.26	13/6
Topix (4/1/68)	1497.65	1482.21	1464.31	1553.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1944.23	1917.44	1904.86	2130.88	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	975.54	951.69	949.88	1086.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2689.00	2724.50	2724.50	29/11	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	518.9	518.5	518.1	518.90	1/12	422.90	23/3
CBS All Shr (End 83)	314.2	314.0	313.7	314.20	1/12	255.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2142.76	2140.45	2152.63	2206.02	20/10	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1239.35	1237.36	1235.31	1292.16	18/10	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2467.13	(c)	2442.16	2858.12	10/7	2198.48	20/11
Portugal							
BTA (1977)	(c)	2478.8	2479.5	2911.50	9/1	2412.90	22/11
Singapore							
SES All-S'pore(2/4/75)	518.59	519.13	518.05	535.08	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1277.8♥	1298.9	1323.6	2023.00	2/1	1250.20	30/10
JSE Indl. (28/9/78)	7633.9♥	7623.0	7614.7	7715.50	20/11	6222.00	31/1
South Korea							
KoreaCmpEx(4/1/80)**	939.00	930.92	948.31	1027.37	2/1	847.08	27/5
Spain							
Madrid SE (30/12/85)	314.54	311.60	311.49	318.98	13/9	264.06	23/3
Sweden							
AffarsvarldsGen (1/2/37)	1745.4	1740.9	1734.9	1872.10	19/9	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1503.90	1496.84	1495.77	1503.60	1/12	1174.63	13/3
SBC General (1/4/87)	1115.74	1118.92	1109.46	1115.74	1/12	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	4809.94	4777.20	4700.88	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1225.31	1196.62	1198.99	1472.04	10/7	1135.68	16/3
Turkey							
Istanbul Comp.(Jan 1986)	39337.1	38113.6	37757.8	54662.80	21/4	24644.31	23/1
WORLD							
MS Capital Int (1/1/70)$	(u)	715.1*	714.2	715.70	28/11	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1457.96	1454.02	1461.76	1460.88	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1313.20	1309.75	1309.15	1316.88	15/9	1117.34	9/3
JCapelDrgns (31/12/88)	(u)	328.73	325.34	348.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	143.16	141.36	139.78	168.87	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x index)							
Dec	1837.0	1824.0	-9.0	1845.0	1814.0	18,562	45,208
Jan	1843.0	1832.5	-8.5	1851.5	1827.0	760	1,478
■ DAX							
Dec	2260.0	2267.5	+9.5	2272.0	2254.0	15,777	-
Mar	2281.5	2288.5	+10.5	2292.5	2278.0	727	-
■ OMX							
Dec	1385.00	1382.25	+0.25	1385.75	1380.00	2,614	14,386
Jan	1394.00	1394.00	+6.50	1395.00	1392.50	190	240
■ SOFFEX							
Dec	3259.8	3268.0	+13.5	3269.0	3258.0	3,312	13,292
Jan	3264.0	3275.9	+19.9	3275.9	3264.0	280	1,159

** Sat Nov 25. Taiwan Weighted Price 4663.81, Korea Comp Ex 942.50. Base values of all Indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 28 Industrials - 264.3, NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 1 - 2268.56 -11.61

US INDICES

Dow Jones	Nov 30	Nov 29	Nov 28	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5074.49	5105.56	5078.10	5105.56 (29/11)	3832.08 (30/1)	5105.56 (29/11/95)	41.22 (2/7/32)
Home Bonds	104.65	104.53	104.55	104.65 (30/11)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2070.32	2077.20	2060.23	2077.20 (29/11)	1473.19 (3/1)	2077.20 (29/11/95)	12.32 (8/7/32)
Utilities	215.79	216.78	215.46	219.08 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5143.13 (5126.51) Low 5053.17 (5047.03) (Theoretical♠)
Day's High 5116.83 (5105.30) Low 5074.49 (5075.93) (Actual♠)

Standard and Poors	Nov 30	Nov 29	Nov 28	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	605.37	607.64	606.45	607.66 (29/11)	459.11 (3/1)	607.66 (29/11/95)	4.40 (1/6/32)
Industrials♥	711.57	714.47	713.24	714.47 (29/11)	545.28 (3/1)	714.47 (29/11/95)	3.62 (21/6/32)
Financial	61.46	61.23	61.05	61.46 (30/11)	41.64 (3/1)	61.46 (30/11/95)	8.64 (1/10/74)
NYSE Comp	323.59	323.99	322.99	323.99 (29/11)	250.73 (3/1)	323.99 (29/11/95)	4.46 (25/4/42)
Amex Mkt Val	537.37	533.03	530.74	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1059.22	1057.57	1050.05	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Nov 24	Nov 17	Nov 10	Year ago
Dow Jones Ind. Div. Yield	2.32	2.35	2.39	2.87
	Nov 29	Nov 22	Nov 15	Year ago
S & P Ind. Div. yield	2.00	2.01	2.03	2.46
S & P Ind. P/E ratio	18.54	18.35	18.37	18.42

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Vodafone	16,241,700	36⅛	+1⅛
Micron	8,031,300	54¾	-⅛
K-Mart	6,844,500	7⅛	...
Telefonos	5,931,700	33	-1⅝
Motorola	6,580,900	61¼	+⅝
Hencon	4,795,000	15⅝	...
Natl Semi	4,090,500	21⅜	-7
Comerica	3,809,200	37⅝	+⅛
Texas Insts	3,480,700	57⅝	-1⅝
Deere	3,011,700	33	+2

■ TRADING ACTIVITY

● Volume (million)

	Nov 30	Nov 29	Nov 28
New York SE	439.480	398.243	408.866
Amex	22.649	16.305	21.725
NASDAQ	557.087	546.279	509.428
NYSE			
Issues Traded	3,092	3,084	3,082
Rises	1,363	1,342	1,229
Falls	7,009	937	1,045
Unchanged	710	805	808
New Highs	216	103	137
New Lows	27	19	30

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	607.25	608.30	+1.05	608.45	607.00	85,414	179,522
Mar	613.70	613.80	+1.05	613.90	613.10	20,139	43,622

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	19730.0	18980.0	+200.0	18990.0	19690.0	28,952	124,668
Mar	18850.0	18990.0	+180.0	19010.0	18720.0	26,453	87,210

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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WORLD STOCK MARKETS

AMERICA

Blue chips gain ground as bonds soar

Wall Street

US prices were mixed in morning trading as technology shares gave up some ground, while blue chip issues rose along with a strong bond market, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was up 28.16 at 5,102.67. The Standard & Poor's 500 was 2.35 stronger at 607.72, while the American Stock Exchange composite fell 0.36 at 537.01. Volume on the NYSE came to 226m shares.

Bond prices rallied for the third consecutive session after figures from the National Association of Purchasing Management were weaker than expected. The NAPM's index of business activity slipped to 46.5 per cent in November from 46.8 per cent in October: most economists had expected a modest increase.

A reading below 50 per cent is generally considered a sign of contraction in the manufacturing sector. Both the stock and bond markets moved higher as investors began to speculate that the Federal Reserve might lower interest rates.

Mr David Bloom of James Capel said weakness in the manufacturing sector "puts a rate cut firmly in the cards" and added that a weak employment report next week should spur the Fed to ease even without a budget deal.

The benchmark 30-year treasury rose more than a quarter of a point, sending the yield to 6.104 in early trading.

Meanwhile, technology shares slipped on renewed worries about semiconductor makers. The Nasdaq composite, which is weighted toward the high-tech sector, slipped 1.74 at 1,057.46 and the Pacific Stock Exchange lost 0.9 per cent in early trading.

A report in yesterday's Washington Post suggested that Fidelity Magellan, the largest mutual fund in the US had been selling shares in several chip companies.

Micron Technology, which had added more than $5 this week, sank $1¼ at $53¼. Texas Instruments was $1⅝ lower at $56 and Motorola shed $1 at $60¾.

Elsewhere, Magma Copper added $6⅝ or 30 per cent at $27⅝ on news that it would be purchased by BHP of Australia to create the world's second largest copper producer.

JP Foodservice climbed $2⅞ or 18 per cent to $18⅝ on news that it was in talks with Sara Lee to combine their food distribution networks.

If agreed, Sara Lee would regain majority control of JP Foodservice, the new name for a business spun off by Sara Lee in 1989.

Canada

Toronto, weakened again by golds, metals and minerals, saw the TSE 300 Composite ease 2.68 at 4,658.55 by noon. Traders also said that Canadian bonds had weakened in early trading, and that foreign investors were staying out of the market.

Hudson's Bay, the retailer, fell into new low ground after Thursday's report that third quarter profits were sharply lower, due to unseasonably warm weather and intense price competition. The shares fell C$⅝ to C$21¼.

Latin America

MEXICO CITY recouped an initial loss on arbitrage operations following early weakness in the peso. By mid-session the IPC index was up 33.98 or 1.3 per cent at 2,722.98, having hit a morning low of 2,674.72.

SAO PAULO was up slightly in early afternoon trade, having seen an early fall of 1.2 per cent as profits were taken. The Bovespa index was up 141.97 at 43,928 in low turnover of R$132.5m ($137.2m).

Unibanco preferred, which resumed trading, rose 17.1 per cent, while the common stock jumped 38.3 per cent.

Beset by political and currency uncertainties

Tom Burns ponders the volatile Madrid market

Most foreign funds opted to underweight Spain decisively in 1994 and only a few have begun to come back into Madrid's Bolsa in the past weeks. At a time when local analysts are arguing the pros and cons of taking positions for 1996, the jury is out on whether to return.

Taking stock of 1995 – in which the Bolsa's general index first broke through its 300 barrier, fell back sharply and finally recovered the lost ground to lift the index by some 10 per cent – has involved factoring political and currency uncertainties into an environment of economic recovery, gradually falling inflation and high interest rates. The same considerations apply to any forward thinking about Spanish equities.

The political issue is focused wholly on the general elections which will take place in March next year. Opinion polls increasingly suggest that the centre-right Popular Party will defeat the socialists, who have governed since 1982 but there is nowhere near any such certainty over the chances of a straight majority win.

Investors, first, have to weigh up the possibility of such an electoral result. FG, the big Madrid securities house, which says that it has analysed voting patterns in depth, puts the chances of the Popular Party gaining a good working majority at 60 per cent.

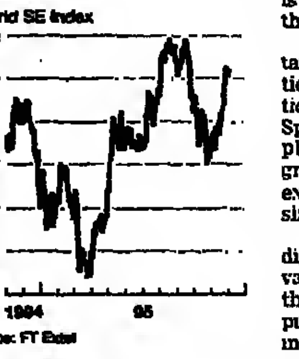
That, however, is only the first step in fine tuning the political factor. The next question is whether the Popular Party will make use of such a result to deliver strong government, which is always a euphemism for taking unpopular decisions.

Will it, for a start, take meaningful steps towards reducing the deficit by overhauling the public sector and social spending? The difficulties encountered by the centre-right government in neighbouring France might well prompt would-be radical reformers among the Spanish conservatives to think again.

Political uncertainties have dogged the Spanish markets this year and until the issue is resolved it is fair to assume that they will continue to deliver an undervalued Bolsa, in which the foreigners remain underweight.

Currency uncertainties, likewise, have been ever-present. In the first quarter of this year the peseta received such a battering that the authorities were forced to devalue in March. The chances of a repeat turbulent performance in the months ahead must, in all logic, remain high for the money markets will once more, and with renewed energy,

Spain



Source: FT Extel

begin to speculate on which countries will pass muster on European economic and monetary union, and which will be left out in the cold.

At this stage Spain remains as vulnerable as ever to accusations that it stands little or no chance of meeting the Maastricht convergence criteria. Having slimmed the consolidated public deficit down modestly from 6.7 per cent of GDP last year to an expected 5.9 per cent at the end of this year, the government faces the awesome task of whittling it down by 4.4 per cent next year if it is to remain on the Maastricht track.

The fact that the socialist government failed to get its 1996 draft budget approved and that there is unlikely to be any clear budgetary signal until next summer, at the earliest, when the new government gets down to business, cannot inspire any confidence. The consensus in the market is that the budget deficit next year could be closer to 5 per cent of GDP than to the convergence programme's 4.4 per cent target.

Most analysts believe however that the effect of currency speculation will be transitory and they are almost certainly right in thinking so. The peseta is now stable again and back at its correct, fundamentally-based, exchange rate of Pta85-87 to the D-Mark.

There is nothing terribly wrong with the fundamentals. Spain's GDP will have grown by a robust 3.1 per cent by the end of this year, up on initial forecasts, and the expectation is that there will be more of the same in 1996.

Inflation is on the wane. Santander Investment, the securities arm of the leading domestic banking group, asserts that Spain is on the brink of a phase of non-inflationary growth which has not been experienced by the country since the late 1960's.

The economy has finally digested the impact of sharp value added tax increases at the begining of the year which pushed up the consumer price index by anything between 0.5 per cent to 1 per cent. Headline inflation is thus likely to stand at 4.4 per cent December to December but it will then come down fast.

Without the VAT shock, headline 12-month inflation will fall below 4 per cent early next year, chalking up a 25-year low that should boost the markets. The general forecast is that December to December inflation at the end of the year will stand at 3.7 per cent, close to the convergence programme's target of 3.5 per cent.

The million dollar question is whether this drop will be enough to spur the Bank of Spain into changing its tactics and begin to lower its benchmark interest rate. FG, which presented its 1996 projections this week in Madrid, said the Bank of Spain would stay put. Ibersecurities, which also outlined its investor strategy for the coming year, believes, in contrast, that there could be a relaxation.

EUROPE

Frankfurt, Zurich higher as Paris slips again

The recovery in the dollar, higher bonds and hopes for a recovery in domestic consumption lifted selected stocks in FRANKFURT, where retailers led the afternoon Ibis winners and financials followed as the Dax index rose 17.83 to an Ibis-indicated 2,266.56, 2.5 per cent higher on the week.

Turnover rose from DM5.7bn to DM7.6bn. The dollar lifted the general market, said Mr Michael Geiger, German strategist at CS First Boston; forecasts that private consumption should be stable and rising next year left Douglas, DM1.50, or 3 per cent higher, at DM52 and Karstadt, the leading department store group, DM13 higher at DM588 after a bad November.

In financials, Bayernhypo, Munich Re registered and Allianz rose 80 pfg to DM36.80, DM45 to DM2,720 and DM37 to DM2,842 respectively.

PARIS remained trapped by worries on the industrial front: there appeared to be no let up in strikes by unions opposed to the government's health sector reforms, and the CAC-40 slipped 7.37 to 1,820.91, down nearly 4 per cent on the week.

However, the market did recover from a session low of 1,805 as the franc stabilised. Turnover was FFr3.3bn.

FT-SE Actuaries Share Indices

Dec 1							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1459.54	1458.97	1458.47	1458.41	1457.71	1456.72	1457.61	1457.96
FT-SE Eurotrack 200	1565.87	1564.85	1561.51	1564.29	1565.62	1565.20	1563.11	1564.66
	Nov 30	Nov 29	Nov 28	Nov 27	Nov 24			
FT-SE Eurotrack 100	1454.02	1461.76	1461.25	1462.30	1450.97			
FT-SE Eurotrack 200	1562.19	1559.96	1557.62	1560.91	1554.83			

Base 1000 (26/10/90). High/day: 100 - 1459.95; 200 - 1567.17 Low/day: 100 - 1456.11 200 - 1561.51 † Partial

Carmakers were weak following further evidence of slowing demand for new models: Peugeot lost FFr12 to FFr633 and Renault shed FFr2.80 to FFr189.80.

Paribas lost FFr7 to FFr270.10 on speculation that a senior manager might be questioned by magistrates. SocGen was one of the day's few bright spots, up FFr6 at FFr589 as it denied that it was bidding for a banking unit of Gan, the insurer, up FFr2.50 at FFr163.

AMSTERDAM dipped slightly by the close as some profits were taken after Thursday's record close. The AEX index lost 0.34 to 477.77, for a 2 per cent advance on the week.

There were some notable gainers, including Unilever, up Fl 2.90 at Fl 216.90; it announced that it was buying the Asian skin care and soap business of Glaxo Wellcome for £95m.

Royal Dutch put on Fl 1.10 to Fl 209.40 as the oil price rose on rumours, subsequently denied, that King Fahd of Saudi Arabia had died.

Nedlloyd remained on the downside, losing Fl 1.50 to Fl 30.10, while Wolters Kluwer attracted support, up Fl 2.90 to Fl 139.50, following a mid-week decline after it announced a $1.9bn bid. Some brokers issued buy notes.

MILAN saw Eni, the newly-listed energy company, fall L205 to L5,245, and at one stage looked as if it might slip below the L5,000 level. Brokers attributed the sharp movement to technical factors, since yesterday was the first session in which continuous trading had been allowed. They said that there was an element of "catch-up": during the past few days the stock had not moved, whereas the overall market had been in decline.

The Mibtel index lost 3 to 8,873 while the Comit rose 3.04 to 555.81, down 1.8 per cent on the week.

ZURICH got back into record high ground, the SMI index closing 9.6 higher at 3,261.2, 1.3 per cent higher on the week.

Industrials were supported by the uptrend in the dollar, Nestlé leading the active list as it closed SFr10 higher at SFr1,263.

BRUSSELS opened its new account with a 1995 closing high, the Bel-20 index closing 20.57 higher at 1,510.87, 3.1 per cent higher on the week. Almost 100 basket trades supported the market and the heated atmosphere brought big gains to Powerfin, the industrial arm of Tractebel, BFr165, or 4.6 per cent higher at BFr3,730 and, in retailing, Colruyt climbing BFr260, or 3.4 per cent to BFr7,910.

MADRID lifted BCH, up Pta75 to Pta2,600 on earnings growth forecasts for 1996 and 1997, and Aguas Barcelona which, up Pta240 at Pta3,770, took its two day gain to 11.5 per cent on joining the Morgan Stanley Capital International index. The market's general index rose 2.74 to 314.54, up nearly a percentage point on the week.

VIENNA rose 2.9 per cent after Morgan Stanley added seven Austrian shares to the MSCI list, and dropped only one. The ATX index rose 27.51 to 967.68, up 4.7 per cent on the week; among stocks affected by the Morgan Stanley move, VA Technologie soared Sch101, or 8.6 per cent to Sch1,275 and Boehler-Uddeholm by Sch56, or 7.4 per cent to Sch817.

ATHENS rose above 900, brokers suggesting that many investors were buying on expectations of a smooth and orderly succession in the ruling socialist party. The general index rose 16.73 or 1.9 per cent to 901.92, up 3 per cent on the week. Turnover was Dr7.6bn.

The condition of the prime minister, Mr Andreas Papandreou, who was in intensive care, was said to be steady.

Written and edited by William Cochrane and John Pitt

SOUTH AFRICA

Equities ended a quiet day mixed, with industrials firmer and the gold sector dampened by a lack of activity in the price of bullion.

The overall index lost 2.3 to 5,969.8, the industrial index rose 15.8 to 7,638.8 and the gold index slipped 23.1 to 1,275.8.

ASIA PACIFIC

Nikkei average moves to a 10-month high

Tokyo

The Nikkei average closed at a 10-month high on heavy buying by investment trust funds and futures-led purchases by overseas investors, *writes Emiko Terazono in Tokyo.*

The 225 index rose 88.68 to 18,833.10, after fluctuating between 18,695.89 and 18,985.85, for a 3 per cent gain on the week. Institutions moved to take profits in early trading, but Nissei Asset Management, a Y66bn investment trust affiliated to Nippon Life, the leading life insurance company, placed purchase orders in the afternoon, boosting prices. A rally in the futures market prompted active arbitrage linked buying, while individuals continued to purchase speculative issues.

Volume was 520m shares against 457m. The Topix index of all first section stocks gained 15.44, or 1 per cent, to 1,497.65 and the Nikkei 300 rose 3.16, or 1.1 per cent, to 281.44. Advances led declines by 756 to 304 with 142 unchanged.

In London, the ISE/Nikkei 50 index rose 3.05 to 1,283.90.

Sony rose Y100 to Y5,500 on active buying by foreign investors; this took its gains to over 20 per cent since the end of October, when it met heavy selling on reports of worsening overseas inventories.

Daiwa Bank lost Y3 to Y664 on increased pessimism over its merger with Sumitomo Bank. While both banks had hinted of a merger following the US Federal Reserve's announcement of the suspension of Daiwa's US operations, they had failed so far to release further details.

Real estate stocks jumped on hopes of a cut in land value taxes. Mitsui Fudosan rose Y20 to Y1,280 and Mitsubishi Estate gained Y50 to Y1,200.

In Osaka, the OSE average gained 238.59 to 20,271.78 in volume of 89.7m shares. Nintendo, the video game maker, rose Y200 to Y8,240.

Roundup

The continued belief that today's parliamentary election would leave Taiwan's Nationalist party as the dominant force left TAIPEI's 32.74 better at 4,809.94, up 5 per cent on the week, in modest turnover of T$35.7bn.

The cabinet's approval of economy-boosting measures and the securities exchange commission's decision to accelerate mutual fund approvals also helped sentiment.

HONG KONG fell back from a morning peak following the Dow's overnight decline in New York.

The Hang Seng index put on 49.21 to 9,862.55, off a high of 9,920.87, for a week's improvement of 3 per cent.

Swire Pacific rose 75 cents to HK$59.25, while HSBC Holdings and Hang Seng Bank both rose 50 cents, to HK$114.50 and HK$68 respectively.

SYDNEY, excited by an announcement from BHP that it was making a A$3.2bn bid for Magma Copper of the US, staged a late buying spree which took the All Ordinaries index up 4.5 to 2,163.3. The market made 0.6 per cent this week. BHP added 12 cents to A$18.44.

BOMBAY shrugged off a late sell-off to close higher. Reliance remained well supported as the BSE index rose 43.70, or 1.5 per cent to 3,037.99, little changed on the week.

Reliance ended up Rs17.5 at Rs231.50 ahead of a meeting of the stock exchange authorities on Monday to discuss the company's intention to delist.

Reliance wanted its shares delisted from December 8, but brokers said this was unlikely because it would need government permission, which could take time.

JAKARTA finished sharply higher after active late buying in the major capitalised stocks. The composite index rose 4.99 or 1 per cent to 486.72 after touching a day's high of 490.44 in late trading.

MANILA, twice suspended because of a computer failure, saw foreign institutions hunt for blue chips. The composite index made 24.98 or 1 per cent to 2,467.14, a week's rise of 6 per cent. BANGKOK advanced strongly on late buying by foreign investors. The SET index gained 28.69 or 2.40 per cent, to 1,225.31, up 0.5 per cent over five days.

KUALA LUMPUR was weakened by profit-taking late in the session. The composite index shed 5.49 to 944.37, up 2.3 per cent on the week.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY NOVEMBER 30 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY NOVEMBER 29 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	185.77	-0.8	160.07	119.22	138.59	168.18	-0.1	3.97	187.28	161.00	120.23	139.89	168.35	191.01	157.85	187.45
Austria (27)	169.05	-0.6	163.66	108.49	127.02	126.95	0.0	1.64	170.11	164.41	109.20	127.06	126.98	199.29	157.48	178.48
Belgium (35)	197.96	0.2	191.89	127.05	148.75	144.95	0.7	3.61	197.59	190.97	126.85	147.60	143.94	201.12	164.78	167.71
Brazil (28)	141.15	4.5	136.82	90.59	106.06	251.00	4.7	1.68	135.08	130.55	86.71	100.90	239.71	180.75	86.06	174.09
Canada (101)	147.05	-0.4	142.54	94.38	110.49	144.59	-0.4	2.56	147.59	142.64	94.75	110.24	145.21	150.93	121.61	127.63
Denmark (33)	281.74	0.6	273.09	180.81	211.70	214.39	1.2	1.52	280.08	270.69	179.80	209.21	211.89	295.99	236.61	244.62
Finland (25)	220.99	-1.8	214.21	141.83	166.05	189.18	-1.3	1.61	225.05	217.51	144.48	168.11	201.85	278.11	171.13	178.44
France (100)	173.19	-2.3	167.81	111.11	130.09	135.25	-1.4	3.25	177.13	171.20	113.71	132.31	137.14	191.17	157.79	169.06
Germany (58)	159.62	-0.7	154.72	102.44	119.94	119.94	-0.1	2.00	160.67	155.29	103.15	120.01	120.01	167.74	135.39	157.95
Hong Kong (55)	375.77	2.0	364.24	241.17	282.36	373.17	2.0	3.92	368.27	355.93	236.42	275.09	365.70	389.39	277.40	337.62
Ireland (16)	251.76	0.8	244.04	161.58	189.18	224.09	1.0	3.41	249.80	241.43	160.37	186.60	221.85	260.67	185.34	199.30
Italy (59)	67.88	0.2	65.80	43.56	51.00	81.00	0.4	1.80	67.72	65.45	43.47	50.59	80.77	82.71	65.45	73.70
Japan (483)	147.82	1.3	143.29	94.87	111.07	94.87	1.3	0.80	145.89	140.99	93.65	108.97	93.65	164.92	135.95	154.74
Malaysia (108)	461.24	0.8	447.09	296.02	346.58	450.49	0.5	1.83	457.54	442.22	293.73	341.78	448.08	561.98	398.16	498.06
Mexico (18)	1021.96	-2.5	990.59	655.87	767.89	8396.93	-1.8	1.66	1047.82	1012.71	672.67	782.69	8552.17	2125.20	847.81	2125.20
Netherland (19)	263.22	-0.4	255.14	168.93	197.79	194.33	0.1	3.38	264.28	255.43	169.66	197.42	194.07	264.28	207.60	211.13
New Zealand (14)	79.06	-0.3	76.64	50.74	59.41	64.29	-0.1	4.51	79.34	76.68	50.93	59.27	64.39	85.49	69.56	73.12
Norway (33)	225.82	-0.5	218.89	144.93	169.68	195.17	0.2	2.14	226.85	219.25	145.63	169.45	194.83	248.78	198.73	200.53
Singapore (44)	381.23	0.4	369.54	244.67	286.46	247.80	0.2	1.64	379.81	367.09	243.83	283.71	247.18	414.26	313.94	371.70
South Africa (45)	368.36	-0.8	357.04	236.40	276.77	295.23	-0.4	4.04	370.39	357.98	237.78	276.67	296.41	376.88	281.06	327.54
Spain (38)	157.68	-0.4	152.84	101.19	118.48	146.96	0.1	3.87	158.26	152.96	101.60	118.22	148.78	180.51	124.10	140.05
Sweden (47)	318.09	-0.6	308.31	204.13	239.00	309.07	0.2	1.94	319.84	309.13	205.33	238.92	309.44	321.59	225.60	294.75
Switzerland (41)	228.31	-0.7	219.36	145.24	170.05	164.67	0.1	1.82	227.92	220.28	148.32	170.25	164.43	230.31	158.36	160.85
Thailand (46)	152.34	0.2	147.67	97.77	114.47	146.76	0.3	2.73	152.01	146.92	97.59	113.55	148.39	184.55	130.15	160.92
United Kingdom (206)	225.36	-0.1	218.44	144.63	169.34	218.44	0.2	4.00	225.50	217.95	144.77	168.45	217.95	228.39	187.07	195.73
USA (609)	247.88	-0.4	240.28	159.09	186.26	247.89	-0.4	2.39	248.97	240.63	159.84	185.98	248.97	248.97	182.33	185.66
Americas (650)	226.02	-0.4	219.08	146.06	169.83	189.91	-0.4	2.38	226.95	219.34	145.69	159.52	190.68	226.95	170.66	173.73
Europe (738)	195.27	-0.5	189.29	125.32	148.73	167.28	0.0	3.04	196.33	189.75	126.04	146.65	167.31	199.02	163.04	168.40
Nordic (139)	283.60	-0.6	274.90	182.01	213.10	239.27	0.1	1.84	285.17	275.61	183.07	213.01	238.96	295.02	215.79	222.48
Pacific Basin (832)	157.92	1.2	153.07	101.35	118.66	105.05	1.2	1.25	158.03	150.81	100.17	116.58	103.79	171.67	145.93	162.71
Euro-Pacific (1570)	173.38	0.4	168.05	111.27	130.26	128.58	0.8	2.09	172.73	166.94	110.89	129.02	127.77	178.33	154.73	164.88
North America (604)	241.65	-0.4	234.23	155.09	181.57	240.97	-0.4	2.40	242.70	234.57	155.81	181.29	242.03	242.70	178.86	182.06
Europe Ex. UK (532)	174.88	-0.8	169.49	112.22	131.39	139.71	-0.2	2.49	176.28	170.37	113.17	131.68	139.93	179.46	146.45	150.16
Pacific Ex. Japan (349)	254.81	0.7	246.99	163.53	191.47	224.47	0.8	3.30	253.17	244.69	162.53	189.12	222.66	256.72	211.18	241.58
World Ex. US (1762)	174.48	0.3	169.09	111.96	131.06	132.29	0.6	2.14	173.84	168.01	111.60	129.85	131.61	178.73	155.42	166.87
World Ex. UK (2059)	194.24	0.1	188.26	124.66	145.95	160.45	0.2	2.05	194.14	187.64	124.63	145.02	160.17	194.53	163.46	169.81
World Ex. Japan (1782)	224.49	-0.4	217.60	144.08	168.66	210.66	-0.2	2.71	225.36	217.80	144.67	168.33	211.06	225.35	178.95	183.23
The World Index (2265)	196.97	0.0	190.92	126.41	148.00	165.52	0.2	2.24	196.89	190.30	126.40	147.07	165.22	197.37	165.92	172.08

CONSTITUENT CHANGES WITH EFFECT 4/12/95: Addition: First Chicago NBD Corp (Large Cap Index) (USA). Deletions: First Chicago Corp. (USA) and NBD Bancorp Inc (USA).

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Apr	Jul	Puts Jan	Apr	Jul
ASDA	100	8	11	15	4½	7	7
(*103½)	110	3½	7	10½	9½	12	12½
[illegible]							
Royal Insce	390	24½	33	42½	9	23	28½
(*400)	420	11	21	28½	25½	40½	45½
Sainsbury	360	30½	38½	44	2	5½	10
(*385½)	390	10½	27½	28	12	18	23
Shell Trans.	800	29½	44½	51½	6½	20	24½
(*816½)	850	8	18	25½	34½	48	51½
Smkl Bchm A	650	54½	36	61	4	12	16½
(*695½)	700	20½	37	51	19½	31½	36
Std Chartd	600	44	66½	83	21	42	56
(*612)	650	28	44	59½	49½	70½	81½
Storehouse	330	16½	25½	34½	7	11½	16
(*342)	360	5½	12½	19½	24	28	31½
Thames Wtr	550	23	40½	47	12½	19½	34
(*556)	600	6	19½	26	45½	49	63½
Trafalgar	20	5½	7	8	1	2	3
(*24)	25	3	5	6½	3½	5	6
Unilever	1250	49	70½	83½	8½	27½	33½
(*1277½)	1300	28	49½	56	30½	51½	57½
Zeneca	1300	82	87½	113½	26½	54½	74½
(*1313½)	1300	29½	63½	86½	55	91	100½
Option		Feb	May	-	Feb	May	-
Eastern Elec	950	27	26	-	½	1	-
(*974)	1000	½	6½	-	33½	34	-
Option		Feb	May	Aug	Feb	May	Aug
BAT Inds	550	31½	39½	47½	14½	27½	36
(*559½)	600	11½	18½	27	45½	58	65
BTR	330	17½	21½	25½	7	13	15
(*337½)	360	4½	8½	13	24½	31	33
Brit Aero	800	68	78	88½	20	30½	38
(*833)	850	35	52	71½	42	53½	62
Brit Telecom	330	26	33	45	4½	8	13
(*363)	360	8	16½	24	19	22	27
Cadbury Sch	550	31½	39	48½	21	33	33
(*552½)	600	11	18	28½	51	64	68
GEC	300	18½	25½	30½	8	8½	13½
(*312)	330	6	11	15	23	24½	28½

Option		Calls Feb	May	Aug	Puts Feb	May	Aug
Grand Met	420	27½	36½	45½	13½	17	22½
(*438½)	460	9½	18	27	37	39½	44
[illegible]							
Barclays	750	44	64½	73	3	19	25
(*789½)	800	10½	34½	45½	20	42½	52
Blue Circle	300	30	38½	43	½	5½	11
(*328½)	330	7½	20½	25	6	16½	23½
British Gas	220	21	28	31	½	4½	7½
(*239½)	240	6½	14	18	5½	12	16½
Dixons	390	28	42½	51½	1	11	15
(*415)	420	9	28	34½	11	23	28
Fisons	260	6	7½	7½	½	6½	½
(*264)	280	-	½	6½	18	16	17½
Forte	330	14	27½	28½	2	8	14½
(*342)	360	2½	12½	15	19½	23	29½
Hillsdown	140	15½	18½	28	-	2½	5½
(*154½)	160	3	6½	8½	6½	10	18
Lonrho	160	10	19½	18½	1	8	7
(*168)	180	1	8	9½	12	17½	18
Nat Power	460	11½	28½	38	6	15½	25
(*463½)	500	1½	12½	21	38½	39½	40
Scot Power	360	17½	26	32½	2	10½	12½
(*373½)	390	2½	19	17½	17½	28½	28½
Sears	100	3	7	8	2	4	8
(*101)	110	-	2½	4½	9	10	12
TSB	390	25	30	34	2½	14½	18½
(*411½)	420	6½	11½	18	14	33½	36½
Tarmac	90	9	17½	13	1	4	7
(*95)	100	1	8	9½	8	9½	12½
Thorn EMI	1500	96	126½	164	2½	25	33
(*1585)	1600	26	69½	104½	32	66½	79½
Tomkins	260	6	16½	23½	3	10	12½
(*264½)	280	1½	7½	14	16	21½	23½

* Underlying security price. Premiums shown are based on settlement prices. December 1 Total contracts, Equity and Index options: 23,816 Calls: 13,709 Puts: 10,107

FT GOLD MINES INDEX

	Nov 30	% chg on day	Nov 29	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (34)	1887.36	-0.6	1899.47	1889.36	1.89	-	2083.86	1837.91
■ Regional Indices								
Africa (16)	2379.36	-1.7	2420.75	3092.08	4.18	21.29	3191.21	2272.74
Australasia (6)	2403.09	-0.3	2410.96	2487.48	2.06	37.29	2607.57	1768.20
North America (12)	1679.54	-0.2	1683.12	1441.24	0.80	48.24	1831.00	1348.18

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RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	60	2	9	220	67	68
Other Fixed Interest	0	0	14	16	6	48
Mineral Extraction	28	109	90	400	282	453
General Manufacturers	132	118	419	715	612	2,010
Consumer Goods	65	36	124	294	215	616
Services	108	89	343	589	509	1,610
Utilities	18	10	30	110	69	111
Financials	89	79	239	554	322	1,163
Investment Trusts	125	70	407	654	318	2,046
Others	34	55	54	305	140	261
Totals	659	566	1,729	3,857	2,540	8,386

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Nov 20	Expiry	Feb 22
Last Dealings	Dec 1	Settlement	Feb 29

Calls: Bula Res, CentreGold, Hanson, London Clubs, Minmet, Photobition, Proteus, TBI, Wedderburn. Puts: Airtours. Puts & Calls: BT, De La Rue, Gen Accident, Redland.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1995 High	Low	Stock	Close price p	+/-	Net div.	Div cov.	Grs yld	P/E net
100	F.P.	24.5	99	89	Abtrust High Inc C	98		-	-	-	-
-	F.P.	2.13	10	9	†Arion Props	8		v-	-	-	-
305	F.P.	47.9	301	285	BZW Eqs Bermuda	295		v-	-	-	-
-	F.P.	61.6	103	101	Benfield & Rea	103		-	-	-	-
290	F.P.	216.4	345½	298	CMG	339		Rv4.8	1.2	1.8	17.5
-	F.P.	26.0	27	26	Cash Converters	26		Mv2.6	5.1	12.5	19.4
-	F.P.	54.1	110	108	Cox Insurance	110		-	-	-	-
60	F.P.	3.68	71	65	†David Glass	68	+2	Rv2.88	2.4	5.3	8.7
-	F.P.	13.2	449	448	East Surrey NV	448		-	-	-	-
-	F.P.	18.0	146	125	Gardner (L)	143	-2	-	-	-	-
125	F.P.	20.8	171	128	Heritage Bath	171	+5	-	-	-	-
-	F.P.	25.1	121	86½	Hoare Govett Sl C	86½		-	-	-	-
-	F.P.	1.20	116	88	Jasmin	103	-3	-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	32.0	95½	93½	Martin Currie Jp	94		-	-	-	-
-	F.P.	2.07	33	29	Do Warrants	30½	+½	-	-	-	-
200	F.P.	85.1	260	200	Peptide Th'peutics	251	+13	-	-	-	-
-	F.P.	30.0	125	125	Premium Undrtg C	125		-	-	-	-
-	F.P.	-	105	100	†Revelation P'dily	100	-5	-	-	-	-
-	F.P.	138.6	99	95	Schroder Asia Pc	89		-	-	-	-
-	F.P.	98.1	217	173	Tom Cobleigh	216	+1	uv2.7	2.2	1.6	35.1
-	F.P.	185.7	44	36	†Trocadero	44	+1	-	-	-	-
-	F.P.	184.8	280	263	Vero Group	272	-3	RWv5.1	1.8	2.3	30.0

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	Low	Stock	Closing price p	+or-
34	Nil	19/12	7pm	6pm	Allied Leisure	7pm	
80	Nil	5/1	33pm	23pm	Cordiant	30½pm	
100	Nil	8/12	18pm	13pm	Freeport Leisure	13pm	
210	Nil	2/1	38pm	33pm	Maybom	38pm	
155	Nil	8/1	53pm	32pm	Pilkington	37pm	
3	Nil	15/1	2½pm	¼pm	Roxspur	¼pm	
97	Nil	18/12	16pm	8pm	Sunset & Vine	10pm	-½

pm premium.

FINANCIAL TIMES EQUITY INDICES

	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Yr ago	*High	*Low
Ordinary Share	2670.6	2656.4	2675.3	2678.1	2673.0	2323.6	2678.1	2238.3
Ord. div. yield	4.04	4.05	4.04	4.03	4.03	4.49	4.73	4.02
P/E ratio net	15.85	15.80	15.83	15.84	15.85	17.56	21.33	15.35
P/E ratio nil	15.76	15.70	15.74	15.75	15.75	17.14	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2658.2	2661.7	2665.5	2668.4	2670.0	2670.1	2670.5	2670.0	2671.0	2671.8	2658.1

	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Yr ago
SEAQ bargains	30,582	28,016	30,486	27,852	32,588	17,785
Equity turnover (£m)†	-	1842.8	1854.8	2103.7	1874.8	1033.5
Equity bargains†	-	34,238	36,214	33,932	37,848	24,881
Shares traded (ml)†	-	743.2	746.4	768.0	717.8	404.0

†Excluding intra-market business and overseas turnover.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ϕ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £126¼ -
Exchequer 10½% Stk 2005 - £118[illegible] 119[illegible]

Corporation and County Stocks

London County 2½% Cons Stk 1920(or after) - £27¾ (28No95)

FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

MARKET REPORT

Takeover talk takes Footsie into new territory

By Peter John

Equities in London continued their seemingly relentless journey into uncharted territory to cap a week of record breaking moves yesterday.

Investors shrugged off earlier disappointment over this week's Budget, weakness on Wall Street, some potentially worrying economic statistics and the launch of an Office of Fair Trading inquiry into a Footsie company.

Instead, they looked to the global trend for lower interest rates and a certain amount of takeover speculation to push the FT-SE 100 index to a record intra-day and closing high.

The Footsie ended the day 16.1 up at 3,680.4, a rise of 56 on the week. the FT-SE Mid 250 index, which is less motivated by international factors, rose only 4.6 to 3,963.7, a gain of 20.9 over the week. The FT-SE-A All-Share Index also achieved a new peak of 1,794.95, up 22.13 over the week.

Yesterday's strength really began with the Budget. Marketmakers had kept very tight trading books ahead of the chancellor's comments to parliament. And after he failed to deliver a much-vaunted two pence cut in interest rates most dealers expected the market to fall.

Instead, London pushed forward in anticipation of rate cuts in the UK and Germany. Despite the Bundesbank's decision on Thursday to do nothing, shares pushed forward again.

Consequently, there was very little stock around. Any buying pressure was bound to see stocks squeezed higher.

Yesterday morning, the market opened 10 down. Then, the latest data from the survey of UK purchasing managers showed that some corporate activity was at its lowest level for three years.

Rather than register any disappointment, however, the market decided that this presented an even stronger case for the chancellor to cut interest rates. That argument was also reflected in the performance of gilt prices which rose steadily to close a third of a point higher.

Then, a rumour spread that BAT Industries was poised to bid for Guardian Royal Exchange. As unlikely as it seemed to many analysts, it managed to send the insurance sector sharply higher.

This was followed by a surge in oil stocks on strength in the crude price as fears grew about the health of King Fahd of Saudi Arabia, head of the world's biggest oil producer.

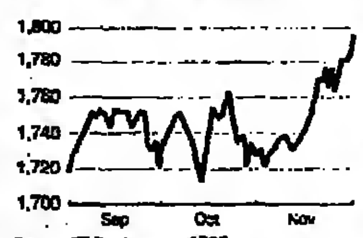
Finally, just before the close of trading, media conglomerate Pearson shot forward on recurring bid speculation and a shortage of stock.

Speculative takeover talk overwhelmed the day's few bits of bad news. While BSkyB fell on news that the Office of Fair Trading was to launch an inquiry into pay TV and Hanson fell in response to broker downgrades, the market as a whole looked on the bright side.

With Wall Street moving back towards a new high shortly after London's close, UK equity strategists looked towards a further upward move next week.

Volume yesterday reached 825.8m shares by 6pm, boosted by heavy volume in Grand Met. It was well up with the high turnovers seen during the rest of the week and above Thursday's volume, when customer business reached £1.84bn.

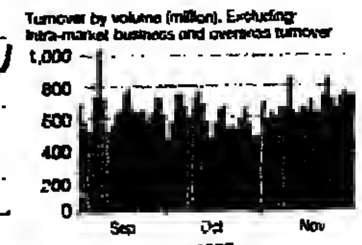
FT-SE-A All-Share index



Source: FT Extel 1995

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



1995

Indices and ratios

FT-SE Mid 250	3963.7	+4.6
FT-SE-A 350	1821.5	+6.7
FT-SE-A All-Share	1794.95	+6.35
FT-SE-A All-Share yield	3.77	(3.79)
FT Ordinary index	2670.6	+4.2
FT-SE-A Non Fins p/e	16.67	(16.63)
FT-SE 100 Fut Dec	3680.0	+12.0
10 yr Gilt yield	7.52	(7.54)
Long gilt/equity yld ratio.	2.08	(2.09)

FT-SE 100 index

Closing index for Dec 1	3680.4
Change over week	+56.4
Nov 30	3664.3
Nov 29	3655.5
Nov 28	3648.8
Nov 27	3649.0
High*	3680.4
Low*	3625.9

*Intra-day high and low for week

TRADING VOLUME IN MAJOR STOCKS

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
3i	498	426	-4	London Elect.†	128	923	
ASDA Group†	6,500	104	+3	Lonrho	19,000	168	+1
Abbey National†	2,900	650	+8	Lucas	807	185	
Albert Fisher	787	47½	-1½	MEPC	583	386	-1
Allied Domecq†	1,500	511	+1	MFI	585	158	+½
Anglian Water	388	594	+3	Marks & Spencer†	3,100	436	-5
Argos	284	553	+2	Mercury Asset Man	381	891	+7
Argyll Group†	2,600	319	+5	Midlands Elect.†	9	931	
Arjo Wiggins†	1,900	187	-4½	Morrison (Wm.)	3,800	140	-4
Assoc. Brit. Foods†	624	721	+16	NFC	483	152	
[illegible]				[illegible]			

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved ahead for the third day running to round off a strong week with a decisive move into new high ground, writes Jeffrey Brown.

Volume stayed low, and for most of the session premium remained weak. At the close of pit trading, the FT-SE 100 December contract stood at 3,680, up 11 points for a net gain on the week of 53 points.

The premium to the cash market was two points or six points short of dealers' estimates of fair value. Turnover was again below average at 7,225 lots.

Traded options were busy with turnover rising to more than 24,000 lots, including 14,000 lots in stock options led by food retailer Asda. Calls had the best of the day.

Asda traded 2,442 lots and international conglomerate Hanson dealt 1,959 lots. Cable and Wireless, BP and Grand Metropolitan were also active, racking up combined turnover of almost 4,000 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3666.0	3680.0	+12.0	3688.0	3658.0	7868	59160
Mar	3690.5	3704.0	+12.0	3709.0	3684.0	1208	16678
Jun	3690.0	3707.0	+12.0	3690.0	3690.0	10	625

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

■ FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 30 1994 based on Friday December 1 1995

FT - SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

Forecast cuts hit Hanson

US buying and an 8 per cent yield did their best for international conglomerate Hanson but, in the end, a swathe of profit downgrades proved too much for sentiment and the shares closed 10½ lower at 185p, the year's low.

NatWest Securities' adjustments on the back of Thursday's annual results looked typical of the City reaction. The broker cut current year estimates by £100m to £1.3bn which, at the earnings per share level, translates into a reduction of 6 per cent to 18p.

The shares, which stood at 243p in May, traded an above average 28m shares. There was said to be a two-way pull as US buyers sought out Hanson's strong yield.

But the day's main flavour was uncertainty. Analysts are concerned about balance sheet strains. And with US unit Quantum, the main profit earner, facing a squeeze on prices and operating margins there was no shortage of worries about the trading outlook.

There was a widespread feeling that Hanson's planned £2bn of disposals would be earnings dilutive. "Hanson has a balance sheet problem. These disposals will be a fire sale", said one top sector analyst.

GRE bid talk

Bid speculation swept through the financials yesterday driving shares in both insurance and retail banking sectors sharply ahead.

The biggest gain was recorded in composite insurance group Guardian Royal Exchange, as talk that BAT Industries (owner of the Eagle Star insurance group) was lining up a bid.

The insurer's stock rose by more than 8 per cent, from 270p to 292p, making it the day's best performer in the Footsie. Volume was a chunky 6.5m, with one broker reported to have bought a sizeable block early in the session.

However analysts remain sceptical about a bid emerging and one said: "I can see the logic of a merger between GRE and Eagle Star but I don't think BAT is about to bid for GRE."

Another market specialist said: "People are looking for a justification. It is classic broking. General salesmen know there is money out there so they say let's not look too far ahead and add a bit of bid speculation."

He dismissed talk of a bid saying, "This is the silly season. Two or three years ago you could have snapped up GRE for half of this. It is a frenzy based on the market being short." BAT was unchanged at 557½p.

Among other insurance stocks, Royal Insurance Holdings, appreciated 11 to 400p and General Accident gained 18 to 683p. Sun Alliance put on 7 to 406p. Prudential Corporation firmed 7½ to 438p, as talk circulated that it was looking to buy a life insurance company.

The big integrated oil stocks were caught up in a gusher of enthusiasm as the US buyers moved in, following a jump in the oil price which climbed decisively back above $17 a barrel yesterday.

Rumours about the health of King Fahd of Saudi Arabia, who recently went in a clinic for a general check-up, have been creating uncertainty in crude markets lately and yesterdaythe worries underpinned good volume in Shell and BP.

The former added 12 to 817p, while BP jumped 10½ to 525p.

The market once again witnessed another robust performance from two biotechnology stocks. Strong demand for British Biotechnology continued to drive the shares forward, although there were those that took the view that the stock had ran too far ahead, hence its retreat from the day's peak. Thus, having touched 2100p, the shares drifted back to end just 127 better at 1675p. Also wanted were Celltech Group, where the shares gained 53 to 602p.

Elsewhere, strong demand for Scotia Holdings late in the session left the group's shares 25 higher at 588p.

Media stocks took the market place by storm, with Pearson shooting ahead by more than 5 per cent and BSkyB spinning about in all directions in the heaviest volume for 12 months.

Mirroring a dramatic 24p surge at the start of the week, Pearson climbed 33 to 662p in above average volume of 1.7m. Turnover was said to have been inflated by a couple of large deals late in the day.

Once again there was takeover talk linking Pearson, which owns the Financial Times, with Granada. Some dealers suggested that Granada could switch to a bid for Pearson if it fails to win over Forte. Another rumour hinted that Pearson was set to merge with MAI, the financial services group which is also part of the winning Channel 5 consortium. Most dealers took a cautious view of the rumours.

Satellite broadcaster BSkyB, up 25 at one stage, spun round on a sixpence during the early afternoon following news of an Office of Fair Trading review into the supply of programming to cable TV groups.

The shares plummeted by 53 before pulling back to close down 5½ at 428½p. Buoyed up by a heavy two-way pull, turnover surged to 27m shares.

A number of cable groups improved. General Cable added 2½ to 194½p and TeleWest Communications ended 4 better at 169p.

Engineering leader British Aerospace, one of this year's fastest moving Footsie stocks, continued to power ahead as tentative takeover talk added an extra dimension to the recent run of bullish stories on trading.

The stock, which has outpaced the market as a whole by 57 per cent this year and 12 per cent over the past month, put on 11 to 533p, with the main upthrust coming from renewed talk of a possible bid from electronics giant GEC.

A setback for GEC, which dipped 5 to 312p, helped fuel speculation that GEC boss Lord Weinstock was on the prowl. Analysts said something of a bid premium had entered BAe's rating, but pointed guardedly to the lack of turnover in the shares.

Spirits to burgers group Grand Metropolitan was the day's busiest trade. A record 75m went through the Seaq ticker and the shares closed 3 lower at 439p

Bid talk also boosted the two Scottish retail banking groups. Bank of Scotland jumped 13 to 285p, while Royal Bank of Scotland, which reported favourable figures earlier in the week, moved 17 ahead to 574p.

Elsewhere, National Westminster lost 7 to 662p as concern started to mount about the length of time it is taking to dispose of its US subsidiary.

NEW HIGHS AND LOWS FOR 1995

NEW HIGHS (155).

GILTS (40) BANKS, RETAIL (8) ANZ, Abbey Nat, Bank Scotland, HSBC, HSBC Hn, Irish Permanent, Lloyds, Royal Bk of Scotland, Standard Chrtd, BREWERIES (2) Ascot, Young Bros, BUILDING & CNSTRN (2) McCarthy & Stone, Morgan Sindall, BLDG MATLS & MCHTS (2) CHEMICALS (2) Hoechst, Perstorp, DISTRIBUTORS (4) Dewhurst, Electrocomps, Glenchewton, Tritest, Wholesale Fitgs, DIVERSIFIED INDLS (2) Hutch Whmp, McLeod Russel, ELECTRNC & ELECT EQUIP (3) Linx Prntg Techs, Paton, Siemens, ENGINEERING (5) Black & Decker, Brit Aerospace, Do Wmts, Cobham, Smiths Inds, ENG, VEHICLES (2) Honda Motor, Mayflower, EXTRACTIVE INDS (1) RJB, FOOD PRODUCERS (3) HEALTH CARE (1) Bader Intl, HOUSEHOLD GOODS (1) IMP Intl, INSURANCE (8) INVESTMENT TRUSTS (38) INVESTMENT COMPANIES (3) LEISURE & HOTELS (4) Jurys, Pelican, Queensborough, Thorn EMI, MEDIA (5) BSkyB, Capital Radio, EMAP, GWR, Reed Intl, OIL, INTEGRATED (2) OTHER FINANCIAL (3) Intermediate Cap, London Forfaiting, Comms Cons, OTHER SERVS & BUSNS (1) STG, PHARMACEUTICALS (4) PROPERTY (2) Derwent Valley, Moorfield Ests, RETAILERS, GENERAL (3) Alexon, Dixie Stores, SUPPORT SERVS (2) Business Post, JBA, TEXTILES & APPAREL (3) Dewhurst, Hay & Robertson, Wensum, TRANSPORT (2) Air London, Ocean, AIM (3) AMERICANS (6) SOUTH AFRICANS (1).

NEW LOWS (54).

CHEMICALS (1) Croda Intl, DISTRIBUTORS (2) Evans Halshaw, Ryland, ELECTRNC & ELECT EQUP (2) Delta, Soundtracs, ENGINEERING (4) ENG, VEHICLES (1) TBN, EXTRACTIVE INDS (3) INVESTMENT TRUSTS (3) INVESTMENT COMPANIES (1) Guangdong Dvlpt Wts, LEISURE & HOTELS (3) Airtours, Eurocamp, First Choice Holidays, MEDIA (1) Sunset & Vine, OIL EXPLORATION & PROD (1) Scott Pickford, OTHER FINANCIAL (1) Edinburgh Fund Mngrs, PAPER, PACKG & PRNTG (3) Arjo Wiggins Appleton, De La Rue, Sidlaw, PROPERTY (3) RETAILERS, GENERAL (1) Benchmark, TEXTILES & APPAREL (2) Foster (J), SA Inds, AIM (1) Winchester Multimedia.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises

Brit Biotech	1675	+ 127
Celltech	602	+ 53
Chiroscience	309	+ 17
Dailywin	144	+ 18
Gen Accident	683	+ 18
GRE	292	+ 22
Lloyds Bank	886	+ 18
MAID	274	+ 39
Pearson	682	+ 33
Proteus	144	+ 35
Psion	793	+ 25
Royal Bk Scot	574	+ 17
Storehouse	342	+ 13

Falls

Coal Inv	35	- 21
Croda Intl	316	- 17
De La Rue	643	- 17
Delta	374	- 14
Prestwick	35	- 4
Telemetrix	144	- 12
Weir Group	201	- 12

LEGAL NOTICES

No. 007212 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
RTR PLC

AND

IN THE MATTER OF
THE COMPANIES ACT 1985

Company	Mid Price	Company	Mid Price
ARNOS VILLAGE PLC	23	NATIONAL PARKING CORP	465
ARSENAL FC	72500	PROF ENTERPRISE GRP	125
ASSURED CARE CENTRES	45	RANGERS FC	55
BLENHEIM PUBLIC HSE	65	SHEPHERD NEAME	1075
CENTRAL RAILWAY	105	SECURED PROP DEVTS	30
CHARLES CHURCH GROUP *	1	TRANSENSE TECH	145
EUROPLAN HOLDINGS LTD	22.5	WEETABIX LTD	2450
GREENSTAR HOTELS	11	WELLINGTON MKT & PROP	108
HYDRO HOTEL E'BOURNE	400	WYNNSTAY & CLWYD	415
IES GROUP PLC *	700	WELSH GOLD PLC	42
JUST GROUP PLC *	2.5	WATERMARK GROUP	12
LION PUBLISHING PLC	105	WOODCHARM PLC	60

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or –	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Pf		58½	—	90	50¼	6.31	19.9	–
Cater Allen		443	-10	525	418	144.4	6.8	6.6
Close Bros		328	+1	340½	216¼	384.3	3.4	14.4
Gerrard & Nat		455xd	-1	480	395	221.1	8.2	14.6
Hambros		201xd	—	258	180	355.4	4.7	–
7½pc Cv Pf		[illegible]	—	112	94	125.0	9.7	–
Joseph (L)		463	—	483	353	24.5	5.1	25.6
King & Shaxson		131	+1	145	85	35.2	8.2	10.0
Rea Brothers		45	—	[illegible]	44	21.8	2.6	18.0
Schroders		1333	—	1478	908½	2,012	1.3	10.0
N/V		1120	—	1185	823¼	458.4	1.8	16.2
Singer & Fried		110	—	110	[illegible]	318.4	4.2	11.4
8½pc Cv Ln 09/14		£138½	—	£136½	£108	41.8	6.2	–
Union		112	—	121	70	29.8	3.3	–
Wintrust		281	-7	295	200	29.0	5.3	15.3

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Notes	Price	+ or -	1995 high	low	Yld Gr's	NAV	Dis or Pm(-)
Gartmore Brit Inc ♣fv	87½	—	88	81	11.0	99.4	12.0
Zero Div Pref	135	+¼	135	100	–	–	–
Units	218	—	228	188	4.2	229.0	4.0
Gartmore Scot Inc ♣fv	67	+1	72	61	22.9	–	–
Cap	111	—	114	60	–	284.5	61.6
Zero Div Prf	193½	+½	194	180½	–	–	–
Units	2085	—	2085	2575	4.5	–	–
Gartmore Shared Eq ♣v☐	93	—	101	84	13.2	86.9	-7.0
Senior Zero Pf	121½	+1	121½	95	–	–	–
Junior Zero Pf	118½	—	120	94	–	–	–
Gen Cons Inc v☐	105xd	—	113	104	11.1	–	–
Cap	134	—	183	138	–	240.7	27.7
Stepped Pf	187¼	—	187½	170	2.3	–	–
Guinness Flight Extra Inc	93	—	95	90	–	102.7	9.4
Warrants	72	—	73	10	–	–	–
Prf	102¼	+¼	102¼	101	–	–	–
HR Inc & Gwth Spl Inc ♣☐	109	—	118	95	3.4	113.5	4.0
Zero Div Pf	114½	-¼	118	102	–	–	–
Henderson Eurotrust ♣v	93	—	104	80	4.6	132.3	29.7
Units	134	—	143	115	2.6	161.2	10.9
Zero Prf	42¼	-¼	42¼	35	–	–	–
Hong Kong	38½	+¼	46	33	6.0	52.9	27.2
Warrants	20	—	34	15	–	–	–
Zero Div Pf	40¼	—	40¼	37	–	–	–
IBS Optimum ♣fv	102½	—	102½	78	10.2	111.6	8.3
Zero Div Pf	227½	-½	280	217½	–	–	–
INVESCO Blue Chip ♣v	84½	—	72	51	17.0	71.5	8.8
Zero Pf	183	—	183	180½	–	–	–
INVESCO Recovery ♣	89	—	110	84	11.2	103.5	14.0
Pfd Growth	169¼	+1½	169½	147½	–	–	–
Johnson Fry Euro-Repr	83	—	94	81	8.7	161.7	18.4
Zero Prf	127½	+¼	128½	103	–	–	–
Johnson Fry Second ♣fv	91½xd	—	98	82	9.2	92.0	0.5
Zero Div Pf	119	—	119½	96¼	–	–	–
Johnson Fry Utils ♣fv	96½xd	—	177	89	9.7	103.2	3.6
Zero Prf	127½	+½	127½	108½	–	–	–
Jos Hldgs Capital ♣v	119	—	118	95	–	251.2	53.8
Income	95	—	103	91	21.8	–	–
Zero Div Pf	147½	-½	149½	120	–	–	–
Jove Inc ♣fav	88	—	67	59	12.9	–	–
Cap	38	—	43	37	–	57.7	34.1
Jupiter Euro v	78	—	83	60	3.4	115.3	32.4
Warrants	47	—	49	45	–	–	–
Zero Div Pf	59¼	-¼	59¼	51	–	–	–
Jupiter Intl Green	49	—	50	35	8.7	59.7	17.9
Warrants	30	—	31	24	–	–	–
Units	125	—	128	99	3.4	181.5	-2.9
Zero Pf	78	-¼	78½	62¼	–	–	–

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£31¾	..	£34	£29	2,108	2.7	15.5
Barlow ♣	£8½	..	£8½	£4½	1,741	1.7	◆
Gold Flds Prop R	154	—	154	136	15.7	6.9	6.9
NK Props	92	—	95	65	3.79	13.0	-
SASOL ♥	489	—	548	435	2,863	2.0	-
SA Brews	£22xd	..	£22	£12½	6,277	1.0	29.4
Standard Bank ☐	£28½	+¼	£28½	£20½	3,403	1.7	19.5
Tiger Oats	1153	..	1153	700	1,734	1.7	◆
Tongaat-Hulett †	872	..	872	636	885.8	2.0	18.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † *Interim since increased or resumed*
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ *Free annual/interim report available, see details below*
- ✣ USM not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ǁ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress.
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualized dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u *Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings*
v P/e ratios are calculated under new ACT guidelines
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G *Assumed yield after pending scrip and/or rights issue*
H Yield based on prospectus or other official estimates for 1995
K Yield based on prospectus or other official estimates for 1994
L *Estimated annualised yield, p/e based on latest annual earnings.*
M Yield based on prospectus or other official estimates for 1995-96
R Forecast annualised yield, p/e based on prospectus or other official estimates
W Pro forma figures.
Z Dividend yield to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

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FINANCIAL TIMES
Weekend December 2/December 3 1995

Controversial use of public money proposed

Tokyo in new move to cut banks' bad loans

By Gerard Baker in Tokyo

Japan's ruling coalition partners proposed for the first time yesterday the use of limited government funds to help the country's *banks dispose of their mountain* of bad loans.

The coalition agreed on a plan to use Bank of Japan advances and government guarantees to assist in eliminating the non-performing assets at the country's seven housing loan companies, or "jusen". A solution to the jusen problem is regarded as essential to restoring confidence in Japan's *fragile financial system.*

A research committee established by the three-party coalition supported a plan drafted by the finance ministry which calls on the main creditors of the jusen to liquidate the housing loan companies expeditiously. It also backed the establishment of a special government-guaranteed body to take over some of the companies' assets.

The use of public money to assist Japan's troubled banks is highly controversial. Opposition to the idea has grown in the last year following a succession of banking crises, including the collapse of several banks and allegations of criminal activity at Daiwa Bank.

But the government believes the scale of the country's financial problems is so great that public money is essential if stability is to be restored.

This year the authorities have been forced to advance emergency loans to a number of troubled or failed banks, but there *has been no formal* plan for government money to contribute to any bailout. Yesterday's announcement is the first step toward such a scheme.

The jusen have more than Y6,000bn ($59bn) in uncollectible loans and are virtually bankrupt. They were established by leading banks in the 1970s to provide individual home mortgages, but were carried away on a *wave of* speculative lending in the 1980s.

Their main creditors are the nation's banks and agricultural co-operatives, who have almost Y10,000bn in loans to the jusen.

The ministry's plan, approved by the coalition, calls for the banks and agricultural co-ops to write off between them a sum equivalent to the bad loans of the jusen. Those bad loans would then be cancelled.

The jusens' remaining performing assets would be bought by the new body, which would pay for the loans by issuing bonds to be guaranteed by the government. The banks and other creditors would be expected to purchase those bonds.

The Bank of Japan would also be permitted to provide loans to the new body to help it dispose of its assets.

But agreement on the most contentious aspect of the jusen problem is still some way off. The precise value of the loans to be written off by the banks and agri*cultural co-ops* respectively *is a matter of dispute* between them.

Deposed telecoms company chief fights for $4m pay-off

By Alan Cane, James Harding, Peggy Hollinger and William Lewis in London

Lord Young of Graffham, deposed two weeks ago as chairman of Cable and Wireless, the UK telecommunications group, is fighting for a pay-off worth more than £2.5m ($4m), despite earlier claims that he had no contract with the company.

He and Mr James Ross, chief executive, were asked to leave by the board after a power struggle between the two men grew into a public row which threatened the group's stability. When they left, C&W attached no blame to either man and said each would get what was his due.

Lord Young has always claimed to have no contract with the company. At the heart of the current negotiations, however, is a letter, *signed apparently* by Lord Sharp, the former chairman and architect of the modern C&W. Lord Sharp died in May 1994.

The current board, it is understood, *had* no *previous knowledge* of the letter and is deeply divided over how to deal with the former chairman's claim.

No directors would comment yesterday on the negotiations, which are believed to be at an early stage. Mr Brian Smith, who took over as non-executive chairman after Lord Young's departure, said last night he was leaving questions of severance pay to the remuneration committee, chaired by Mr Win Bischoff, chairman of Schroders, the merchant bank.

Mr Ken Claydon, C&W's company secretary, said last night: "Lord Young does not have a service contract. The lack of a contract is very clearly stated in the accounts." *He added:* "We have no letter, no contract. Lord Young has left Cable and Wireless and that was announced. He has no connection in the building." He said: "The last thing *that anybody would be doing* is negotiating with Lord Young about his pay-off."

Outside his home *overlooking* London's Regents Park, Lord Young last night refused to comment. His wife said "he should be contacted through his office".

Lord Young's total claim is thought to comprise share options totalling some £1.7m, together with pension entitlements and a sum in lieu of salary until his leaving date, set last month, of February 1997.

The reaction from institutional shareholders indicated that they would even resist a much lower award.

"If it were a £2m pay-off, then I think we would ... need to *express our discontent through* the non-executives," one said.

Madrid's cafés cry foul over football

Continued from Page 1

when matches are in full swing, and the cost of televised football for the restaurants, cafés and bars last year was at least Pta110bn, or almost $1bn, according to the association.

Evening football caught on *after Spain staged 1982's World* Cup, when stadiums were equipped with new floodlights. But the problem has become acute only in the past three years or so, Mr Galindo said.

"People's habits don't change overnight. There was a custom of going out on Saturdays. This custom has been lost, little by little."

Support for their cause is being recruited from suppliers – some drinks companies which advertise during the games and in the stadiums are withdrawing their custom.

Mr Galindo said 10 or 12 big drinks companies had already done so, including Osborne, the brandy and sherry group, and dairy company *Leche Pascual.*

Codorniú, a well-known producer of sparkling wine, has written to the federation expressing its concern and promising to cancel its traditional prime time television commercials. Coca-Cola said it had expressed support for its clients, but had taken no steps to withdraw advertising.

The clubs themselves appear not to be suffering yet from the campaign. An advertising agent for Real Madrid said stadium advertising was usually paid *under six-month or one-year contracts.*

French rail strike may spread to other key services

By David Buchan in Paris

French rail unions yesterday carried on with their nationwide strike which continued to draw wider protest actions along in its wake. Disruption of air and hospital services is now possible next week.

Government *officials* said Mr Alain Juppé, the prime minister, would take stock of weekend efforts to promote dialogue with the strikers, who are opposing planned government reforms of the welfare system and public services.

Mr Juppé may address the country on television, perhaps as early as tomorrow night, but no dramatic change of tack is expected, at least until President Jacques Chirac returns on Monday from a summit of French-speaking countries in Africa.

*Mr Alain Lamassoure, the gov*ernment spokesman, repeated that the government was determined to pursue its announced reforms because it was a question of the survival of public sector pension schemes.

Hopes that the government had pinned on yesterday's meeting between Mr Bernard Pons, the transport minister, and the railwaymen were dashed.

The unions complained that the minister had refused to suspend his plan for the SNCF rail network, involving a debt bail-out ultimately linked to improved productivity measures, and to give categoric assurances of unchanged pension arrangements.

The franc fell during the day to a low of FFr3.462 to the D-Mark, but recovered to FFr3.455 on false hopes of a breakthrough in the rail strike.

Cabin crew at state-owned Air France and Air Inter decided to strike on Thursday against plans to restructure their companies.

The communist-leaning CGT federation called for a general strike again on Tuesday, while the Force Ouvrière, which is fighting to prevent Mr Juppé removing its management role in the health insurance system, called for protest actions by hospital workers on Monday.

Offering the government no prospect of an early respite, the three main doctors' unions and associations said they would support other groups' plans for a national day of protest on December 17. This protest is chiefly aimed at responding to Mr Juppé's statement that if 2m people protested in the streets, his government would not survive.

Some government backbenchers have openly speculated that the only way President Chirac might be able to resolve the impasse is by putting reforms to a referendum or by calling fresh parliamentary elections.

Eurotunnel picks up passengers, Page 2; Currencies, Page 10

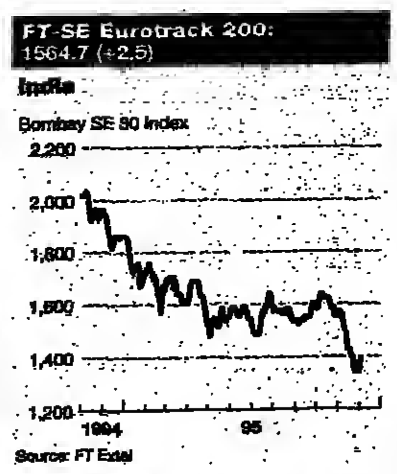
THE LEX COLUMN

Cloudy Sky

After an initial bout of jitters, the UK stock market concluded that the latest Office of Fair Trading review of BSkyB is nothing to worry about. It is wrong. Yesterday's review of Mr Rupert Murdoch's satellite group is *broader* than past ones. It covers not only the terms under which BSkyB makes its channels available to cable television companies, but also the terms under which programme providers gain access to the company's "black box" encryption system.

The secret of BSkyB's phenomenal commercial success is its *de facto* monopoly on UK pay-TV. This has two interlocking aspects. First, the group *has bought up most of the attractive* film and sports rights. Cable companies cannot afford to outbid BSkyB for these rights because they have fewer eyeballs glued to their screens; they have no option but to deal with BSkyB on its terms. Second, rival pay-TV channels cannot develop because they need to get access to BSkyB's encryption system. Since it would be hugely expensive to set up a rival network of black boxes, *Mr Murdoch* controls the gateway to customers.

The latest review does not, of course, spell the end of BSkyB's monopoly. *For a start,* the OFT may *conclude there is no* abuse. Even if it does and refers the company to the Monopolies and Mergers Commission, it might not win its case. And even if the MMC decided there was abuse, dismantling BSkyB's monopoly would be hard. For example, making it open up its black boxes to competitors on more attractive terms might achieve little if BSkyB still controlled the most popular programmes. That said, the group's shares trade on such a sky-high multiple that it would be wise to factor in some regulatory risk.



Source: FT Extel

British Biotech

The one certainty about British Biotech is that its shares will not stay where they are. If Marimastat, the company's oral anti-cancer drug, succeeds, the shares are still wildly undervalued despite a 60 per cent increase to £16.75 in the past two days. If it fails, the shares are worth a fraction of that.

This week's clinical trial results are impressive. Marimastat appears to restrict tumour growth in a range of cancers with few side effects. Taxotere, a cancer treatment with a narrower profile and greater toxicity, has just received regulatory approval after only limited trials. Marimastat could produce annual sales of $1bn early next century, with another $700m coming from drugs against pancreatitis and arthritis. Given the industry's fairly fat profit margins, the consequent earnings stream would be a rich one. *Even discounting those earnings* back to the present and assuming only a 25 per cent chance of success for the three main products suggests a share price of £20. At a 50 per cent probability that rises to £40.

As the company itself stresses, these are early results. Much can yet go wrong, as it did earlier this year when the previous lead product ran into trouble. But with a spread of drugs progressing through clinical trials, only a cynic would argue that the group has not built up intrinsic value.

UK water

The interim results season for Britain's water companies, now drawing to a close, has done nothing to dispel the impression that the stocks are cheap. *On the contrary, almost* every company has reported profits and dividends ahead of expectations; yet the market has failed to respond. Most analysts have upgraded their *forecasts:* even if an incoming Labour government imposed a windfall tax, dividend growth of 10 per cent or more up to the turn of the century looks achievable. Since this is well ahead of the likely market average, it sits oddly with the sector's 40-50 per cent yield premium.

The standard explanation is political risk, but this has not prevented the generators, which are just as exposed, enjoying much lower premia: 10 per cent or so for National Power and none at all for PowerGen. Moreover *the generators,* unlike water companies, face big competitive threats.

Water stocks are attractive even without the kind of bid frenzy seen in the electricity sector. But although there are fewer obvious predators, takeovers cannot be ruled out: bidders will look at cash flow, which makes the sector look about 20 per cent undervalued. It is a myth that the sector is cash-negative: in fact, half *the companies are likely to generate* cash, after paying dividends, this year. Moreover, unlike Lyonnaise des Eaux in its bid for Northumbrian, a bidder from outside the water sector – such as a regional electricity company – would almost certainly not be referred to the Monopolies and Mergers Commission.

Bombay Stock Exchange

Bombay's stock exchange is drowning in paper. Share deals require large bundles of small-denomination certificates, each accompanied by a stamped and *signed transfer deed,* to be trundled around. Sometimes certificates get lost, so it is hardly surprising that disputes are common. But matters have really got out of hand in this week's row between the exchange and Reliance, India's largest quoted company, about the appearance of duplicate certificates. The dispute has now reached the point where Reliance, piqued by a three-day suspension of its shares, is demanding a complete delisting. This would be a case of cutting off its nose to spite its face: the smaller National Stock Exchange, on which Reliance's shares would still trade, is much less liquid.

Whatever the rights and wrongs of this particular case, the row highlights Bombay's crying need to accelerate the development of a proper electronic *settlement system.* That would sweep away the need for paper certificates. Not only would that improve efficiency; it would also enable Bombay to attract more foreign investors, some of whom are put off by its antiquated practices. There is plenty to attract them. Earnings multiples have collapsed from 40-50 times two years ago to around 10 times – a level which fails to reflect continuing earnings growth averaging around 30 per cent. With the economy growing at 6 per cent a year, and inflation at only 8 per cent – not to mention the growing political consensus over economic reform – the investment opportunities are considerable.

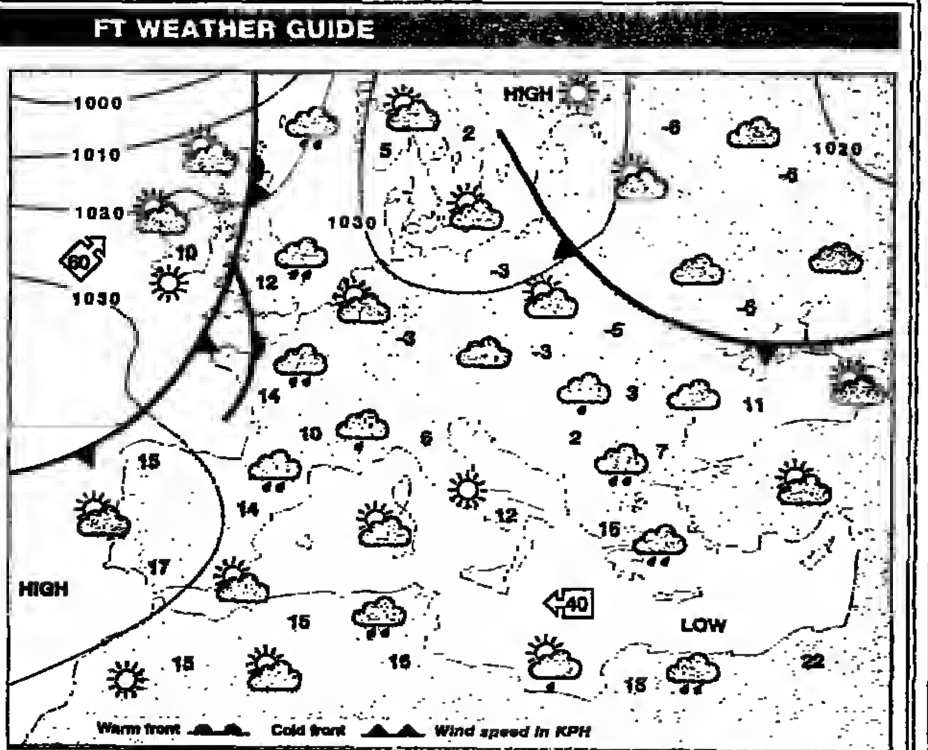
FT WEATHER GUIDE

Europe today

High pressure over Scandinavia will result in dry and sunny conditions. Russia will be overcast with light snow. It will continue settled and sunny from Poland to the Black Sea and the eastern Mediterranean region. The Balkans will be unsettled. Hungary, Croatia, Serbia and Albania will be cloudy with rain and heavy snow in the mountains. It will be especially wet in Greece. High pressure west of Portugal will result in sunny conditions in the western Mediterranean. The Balearic islands will have showers however. Northern parts of the UK will be overcast with occasional showers. Southern regions will be cloudy but dry.

Five-day forecast

Temperatures in central Europe will drop below zero over the next few days. Russia will be cloudy with light snow at times and heavy snow in the Carpathians. The Mediterranean will be unsettled and rain will continue in the Balearic islands and Greece. Southern Iceland will be cloudy over the next few days with persistent rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	fair	27
Accra	fair	32
Algiers	rain	17
Amsterdam	cloudy	5
Athens	rain	17
Atlanta	sun	19
B. Aires	fair	29
B.ham	drzzl	11
Bangkok	fair	32
Barcelona	cloudy	15
Beijing	sun	5
Belfast	rain	13
Belgrade	rain	4
Berlin	fair	-4
Bermuda	fair	24
Bogota	fair	21
Bombay	sun	32
Brussels	drzzl	5
Budapest	rain	3
C.hagen	fair	2
Cairo	sun	22
Cape Town	sun	23
Caracas	shower	31
Cardiff	cloudy	11
Casablanca	sun	18
Chicago	cloudy	8
Cologne	fair	2
Dakar	cloudy	29
Dallas	sun	22
Delhi	sun	24
Dubai	fair	28
Dublin	rain	14
Dubrovnik	rain	13
Edinburgh	rain	12
Faro	fair	19
Frankfurt	fair	0
Geneva	cloudy	4
Gibraltar	sun	18
Glasgow	rain	12
Hamburg	fair	-3
Helsinki	fair	-2
Hong Kong	fair	23
Honolulu	thund	29
Istanbul	cloudy	11
Jakarta	cloudy	30
Jersey	cloudy	12
Karachi	sun	27
Kuwait	cloudy	21
L. Angeles	sun	23
Las Palmas	cloudy	23
Lima	cloudy	24
Lisbon	fair	18
London	drzzl	12
Lux.bourg	cloudy	3
Lyon	cloudy	5
Madeira	fair	22
Madrid	fair	12
Majorca	cloudy	15
Malta	cloudy	17
Manchester	rain	11
Manila	thund	30
Melbourne	sun	24
Mexico City	fair	23
Miami	sun	26
Milan	fair	7
Montreal	cloudy	-6
Moscow	snow	-4
Munich	cloudy	-2
Nairobi	fair	25
Naples	sun	13
Nassau	sun	27
New York	cloudy	7
Nice	fair	13
Nicosia	fair	18
Oslo	fair	-2
Paris	cloudy	10
Perth	sun	25
Prague	cloudy	-5
Rangoon	fair	33
Reykjavik	rain	8
Rio	thund	27
Rome	sun	13
S. Frsco	fair	18
Seoul	sun	5
Singapore	cloudy	32
Stockholm	fair	1
Strasbourg	cloudy	3
Sydney	shower	23
Tangier	sun	19
Tel Aviv	sun	23
Tokyo	fair	13
Toronto	cloudy	-1
Vancouver	rain	7
Venice	fair	9
Vienna	snow	0
Warsaw	fair	-5
Washington	fair	12
Wellington	fair	19
Winnipeg	snow	-3
Zurich	cloudy	2

هكذا من الاصل